Austria	Sch26	Indonesia	Rp3100	Philippines	Pso40
Bahrain	Din0.700	Iran	Rls210	Poland	Zl 9,000
Belgium	BFr55	Israel	Shk3.50	Portugal	Esc150
Cyprus	C£0.90	Italy	L2000	Qatar	QR8.50
Denmark	DKr12.00	Jordan	Fils1000	S.Arabia	SR7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM9.50	Lebanon	L£400.00	Spain	Pta155
France	FFr7.50	Lux	LFr55	Sweden	SKr12
Germany	DM2.60	Malaysia	M$4.25	Switz	SFr2.50
Greece	Dr150	Morocco	MDh5.50	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl 3.25	Tunisia	Din0.800
Hungary	Ft107	Nigeria	Naira10	Turkey	L1400
Iceland	IKr160	Norway	NKr12.00	UAE	Dh7.00
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

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Φ D 8523A

ROMANIA
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World News

US breaks dialogue with PLO over terror raid

The Bush Administration has decided to break off its 18-month dialogue with the Palestine Liberation Organisation in protest over the PLO's failure to condemn a maverick terrorist attack launched last month against Israel.

The suspension of contacts amounts to a severe, though not necessarily fatal, blow to the Administration's Middle East peace initiative. Page 16

Hero's welcome

Anti-apartheid leader Nelson Mandela arrived in the United States amid tight security to an extraordinary outpouring of good will. Mr Mandela rode up Broadway in a bullet-proof "greenhouse", receiving the cheers of hundreds of thousands of New Yorkers.

Soviet warning

The new Soviet ambassador to East Germany warned the coalition governments in Bonn and East Berlin against pressuring "2 plus 4" negotiations on German unity. Page 2

Walesa eyes top job

Solidarity leader Lech Walesa confirmed that he wanted to become Poland's President, saying the country needed a strong leader as it moved to a free market system. Page 16

Iliescu sworn in

Mr Ion Iliescu was inaugurated as President of Romania, and later pledged to keep the country on the road to democracy and end what he called its "moral decay". Page 2; Hard road to revolution, Page 26

US to cut defence

The Bush Administration plans a 25 per cent cut in the armed services over the next five years, in response to a reduced Soviet threat and remote prospects of a land war in Europe. Page 4

1,000 teachers fired

The Zimbabwe Government said it had sacked more than 1,000 teachers, one-eighth of all teachers employed by the state, who went on a week-long strike to demand higher wages.

Kurds 'executed'

Hundreds of Kurdish refugees who have taken advantage of official amnesties and returned to Iraq appear to have been tortured or killed, Amnesty International said. Page 6

Israel unveils policy

Israel's right-wing government, after 10 stormy days in office, outlined a foreign policy which is unlikely to soothe any of its critics. Page 6

Tank explodes

An ammonia storage tank exploded in northern Mexico, spreading fumes that killed one person and forced the evacuation of about 3,000.

Nine killed in floods

Nine people were killed and eight were missing after more than 12 hours of rain deluged northern Turkey, the semi-official Anatolian News Agency said.

Blasts on warship

The US aircraft carrier Midway was rocked by two explosions off the coast of Japan, injuring at least 16 sailors and embarrassing the US on the eve of anniversary celebrations. Page 6

Hijacker must return

Moscow demanded the return of Oleg Kuzlov, the 20-year-old hijacker who on Tuesday commandeered a Soviet domestic flight and forced it to fly to Helsinki, Finland.

Charlie checks out

Checkpoint Charlie, the Allied crossing point at the Berlin Wall where Soviet and US tanks faced off during the Cold War, will be dismantled on Friday. An associated museum will remain.

Business Summary

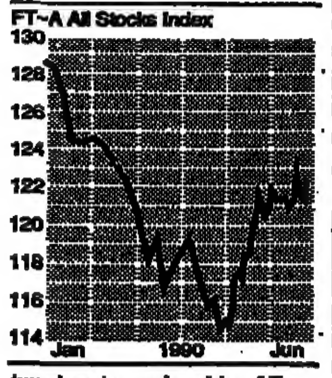
Philips to restructure after division losses

Philips of the Netherlands, Europe's largest electronic group, announced drastic restructuring designed to stem substantial losses in its information systems division and return the division to profitability by 1992. Page 17

UK GILTS edged upwards in price, then moved sharply higher at market rumours of imminent membership of European Monetary System. London Stock Exchange, Page 27

UK Gilts

FT-A All Stocks Index



JAPAN said violators of anti-monopoly laws would face severe penalties. Page 6

PROCORDIA, Swedish pharmaceutical and food group, announced a restructuring of its pharmaceutical business. Page 18

FRANCE announced two new debt relief measures for African countries at the Franco-African summit meeting in La Baule. Page 6

KYMMENE, Swedish forest products company, reported sharp fall in pre-tax profits for the first four months of 1990 to FM251m ($44.7m) from FM601m. Page 18

INDIA will introduce legislation to allow private companies to enter the electricity generation industry. Page 6

CAMPEAU Corporation, Toronto real estate group, reported one of biggest annual losses in Canadian corporate history of $1.74bn. Page 20

JAPAN'S big four securities houses have weathered downturn in the Tokyo equity market through performance overseas. Page 19

KOOR INDUSTRIES, debt-ridden Israeli group, announced inflation-adjusted losses in 1989 of Shk595m ($293m). Page 19

US ECONOMY continues to grow slowly, with little change in the underlying inflation rate, according to Federal Reserve. Page 4

ENERGY demand last year showed the slowest growth since 1983, according to BP Statistical Review of World Energy. Page 26

STC, UK-based information technology group, saw its share price fall sharply as the City of London reacted jumpily to a profits warning given by its chairman. Page 17; Lex, Page 16

JAPANESE car makers and government officials criticised plans by the European Community to restrict car imports from Japan. Page 3

HONGKONG and Shanghai Banking Corporation credit rating was cut by IBCA, London-based rating agency. Page 21

CONTINENTAL Bank, big US bank, plans a $75m to $100m client fund for investment in Taiwan. Page 21

FRANCE'S foreign trade deficit deteriorated in May for second month in a row to FFr5.7bn ($997m) from FFr4.4bn in April. Page 2

MEXICO says Japan has agreed to extend development loans worth the equivalent of just over $1.6bn without setting conditions. Page 4

UK proposes new European currency as EMU alternative

By Peter Norman, Economics Correspondent, in London

MR John Major, Britain's Chancellor of the Exchequer, yesterday proposed that the European Community should have a new international currency backed by a European Monetary Fund as an alternative to existing proposals for EC economic and monetary union (EMU).

The Chancellor presented his proposals for a "hard Ecu" derived from the existing European Currency Unit in a speech to the German Industry Forum in London.

The hard Ecu would be a parallel currency alongside existing EC monies that might *in time become a common currency* for Europe and "in the very long term" a single currency if peoples and governments so chose, he said.

Mr Major's speech last night presented Britain's plans for the medium term future, after the so-called Stage 1 of the Delors programme towards EMU has been completed.

But the timing of the Chancellor's address was linked to much more immediate political considerations.

The new proposals will allow Mrs Margaret Thatcher, the British Prime Minister, to appear at next week's EC Summit meeting in Dublin as a good European who is not automatically opposed to greater monetary integration in Europe.

They are intended to broaden the debate on Europe's monetary future ahead of December's Intergovernmental Conference of EC member states which is due to decide on how to progress towards EMU.

Stage 1, which has been agreed by all EC governments, starts next month and entails the creation of a single financial area in the EC with the free movement of capital and eventual membership on equal terms of all EC currencies, including sterling, in the exchange rate mechanism of the European Monetary System.

Mr Major's speech, which *was flagged well in advance by* the Treasury's publicity machine, therefore set out Britain's answer to the Delors Committee proposals for progress towards EMU beyond stage 1.

The Delors proposals, centreing on institutional progress towards EMU culminating in a single EC currency and central bank, have strong backing elsewhere in the Community but have been firmly rejected by Mrs Thatcher.

Last night, Mr Major proposed as "a first practical step" the issuing of Ecu bank notes in the EC, which would require the establishment of a European Monetary Fund (EMF).

The EMF would act as a currency board to provide Ecus on demand for EC currencies. To prevent any inflationary expansion of the money supply, he proposed that the Fund should only issue notes that were fully backed by its own holdings of the various EC currencies that make up the Ecu.

As a further step, he advocated the creation of a new "hard Ecu." In this stage, the Ecu would become a currency in its own right and no longer defined as a basket of the EC currencies as at present.

The hard Ecu "would never devalue against other Community currencies," he said. In that way it could gradually win support at the expense of existing EC currencies and so provide a gradual, market-related way *for Europe to evolve towards EMU*.

The EMF would manage the hard Ecu, eventually setting interest rates for it through normal central banking techniques. The proposed Fund would also co-ordinate the member states' intervention against the dollar and the yen. Rules would also be needed to prevent the Fund having to support weak Community currencies.

Mr Major acknowledged that the latest British ideas owe much to proposals put forward recently by Sir Michael Butler, a former diplomat and director of Hambros Bank, and Mr Paul Richards, a director of merchant bank Samuel Montagu. Yesterday Sir Michael wel-

Continued on Page 16

Details, Page 7; Economic Viewpoint, Page 14

SCA of Sweden to buy British group for $1.7bn

By Maggie Urry in London and Robert Taylor in Stockholm

SVENSKA CELLULOSA, the Swedish pulp, paper and packaging company, has agreed to pay £1.05bn ($1.69bn) for Reedpack, the UK paper, packaging and office supplies group.

The merged group will be a leading European paper company with annual production of 3m tonnes of paper and board.

The deal, announced yesterday, is the latest in a wave of mergers throughout the paper industry, many of which have involved Nordic groups buying production capacity sited in European Community countries. It follows the recent purchase by Stora of Sweden of Feldmühle Nobel, a leading West German paper group.

Reedpack was formed two years ago through a £609m ($1.03bn) management buy-out from Reed International, the publishing group. It had planned to come to the stock market within three years of the buy-out but a flotation did not now look practicable in the next year.

The takeover will mean that the top 300 managers at Reedpack will see their investment in the buy-out increased 34-fold. Mr Peter Williams, chief executive, who invested £150,000, will receive more than £5m in the form of SCA convertible shares. Institutional investors and employee shareholders will see a 2½ times increase in their investments.

Although Reedpack had been meeting its bankers' targets, Mr Williams said the board had decided to sell to SCA because high UK interest rates meant the company could not finance the investments it wanted to make.

Reedpack has been planning to build a £250m newsprint machine at its Aylesford, Kent, site but had been unable to fund this alone. That investment will now go ahead as soon as possible, SCA said.

Mr Sverker Martin-Löf, president and chief executive of SCA, said the growth in Reedpack's profits and the investment made since then meant the price SCA was paying "is a reasonable market price."

It is taking on Reedpack's debt of more than £500m and paying £544m for the equity.

Mr Martin-Löf said Reedpack was a good fit with SCA, both geographically and in product terms.

It would give SCA a leading share of the European corrugated cases market, take it into newsprint made from waste paper, make it the second largest collector of waste paper in Europe, and bring it into areas such as cartons, plastic packaging and office supplies.

To avoid monopoly problems, SCA said it had sold its other UK interests.

SCA said the acquisition would marginally dilute its earnings this year but it expected the deal to enhance earnings per share by "at least 10 per cent in 1992."

Lex, Page 16; Money really does grow on trees, Page 17; Kymmene, Enso-Gutzeit profits fall, Page 18; Smurfit buys minority stakes, Page 23.

Ozone layer 'is being depleted faster than expected'

By John Hunt, Environment Correspondent

THE OZONE layer is being depleted faster than expected, according to a report presented to an international conference yesterday on the Montreal Protocol, the agreement to phase out CFCs (chlorofluorocarbons) and other chemicals which thin the ozone layer.

The ozone layer protects the Earth's surface against exessive ultraviolet radiation. Its thinning increases radiation which contributes to global warming and can cause skin cancer.

The London conference began on an optimistic note when Dr Mostafa Tolba, director of the United National Environment Programme, said China *had significantly* reduced the estimate of aid it would need to convert to CFC substitutes. This raised hopes that China would sign the protocol and that an international aid programme to help the Third World phase out CFCs would be agreed.

The report, from scientists of the UK Stratospheric Ozone Review Groups, says chlorine in the stratosphere *is expected to increase to levels higher* than previously experienced with "a risk that these might trigger disproportionately larger ozone losses."

It detects a long-term decline in the amount of ozone in winter over mid-northern latitudes. This was most marked over North America and Europe, where decreases of between 2.4 and 3.5 per cent per decade were detected.

This suggests that ozone depletion in the northern hemisphere is acclerating in the same way as the Antarctic ozone hole.

The report says, however, that the Antarctic ozone hole could disppear by the year 2050 if an 85 per cent reduction in release of CFCs and other ozone-depleting chemicals was achieved by the mid-1990s, with total elimination of emissions by the year 2000.

This is in line with proposals put to the conference, being attended by 56 countries which have signed the protocol and others which may sign. Dr Tolba suggests reducing CFCs by 85 per cent by 1997 and elimination of them by 2000. The EC position is elimination by 2000, or by 1997 if possible.

The report warns that ozone depletion will increase in the

Continued on Page 16

Taking aim at a global issue, Page 15

Ligachev calls for Gorbachev's resignation

By Leyla Boulton in Moscow

Ligachev: conservative challenge to Gorbachev

THE LEADING conservative in the Soviet Union's Communist Party, Mr Yegor Ligachev, yesterday called on Mr Mikhail Gorbachev to step down as general secretary of the party.

The challenge to the Soviet President from a hard core of party conservatives came as Uzbekistan joined the ranks of Soviet republics asserting sovereignty and as the Georgian parliament met to discuss legal steps to independence.

Mr Gorbachev came under attack by speaker after speaker at the founding congress of the Russian Communist party, which opened on Tuesday. Yesterday, *in advance of the call* from Mr Ligachev, he himself raised the possibility of giving up his post.

After listening to lengthy criticism of his five-year rule, Mr Gorbachev said it was easy to attack him in troubled times: "I think some comrades are treating the general secretary and president very casually... It's not a personal question. Tomorrow or in 10 or 12 days, there could be another general secretary, chairman of the party."

Mr Ligachev, the Politburo hardliner in charge of agriculture, accused Mr Gorbachev of taking key economic and foreign policy decisions on his *own and of damaging the* party: "One cannot be the leader of the Communist party, this guiding force, without devoting all the time to it," he told the congress.

"The socialist community has disintegrated, while the positions of imperialism have been dramatically consolidated," he said, employing old-style jargon reminiscent of the height of the Cold War.

Mr Ligachev's attack, his most vitriolic to date, comes 12 days before next month's landmark party congress, which many expect will formally split the party that has ruled the country for 73 years.

The congress of Russian *Communists, who represent 60* per cent of the members of the Communist Party of the Soviet Union, voted as expected yesterday to set up a new Communist Party of the Russian Federation.

But they pledged that it would remain an integral part of the parent party, following a warning by Mr Gorbachev that it should not challenge the supremacy of the Communist Party of the Soviet Union.

While there have recently been suggestions from close Gorbachev allies that the Soviet leader might step down, Mr Yuri Prokofyev, who heads the Moscow Communist Party, said yesterday he did not *believe Mr Gorbachev's*

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Bundespost to raise DM30bn for E German phone network

By Katharine Campbell in Frankfurt

BUNDESPOST TELEKOM, West Germany's state-run telecommunications group, plans to raise DM30bn ($17.7bn) from the capital markets over seven years beginning in 1991 to help rebuild East Germany's dilapidated phone system.

Mr Christian Schwarz-Schilling, the post minister, unveiled the DM55bn programme yesterday before the West German cabinet. Investors, nervous at the mounting costs of German reunification, have already pushed real interest rates in West Germany over 6.5 per cent.

The market took these new data calmly. A functioning communications network is regarded as a crucial early step for the recasting of the East German economy, and an investment of this magnitude had been expected.

Mr Schwarz-Schilling yesterday announced a package of shorter term measures for this year, together with the longer term DM55bn programme aimed at bringing the East Germans up to the standards of the Bundesrepublik by the end of 1997. East Germany recently agreed to bring its telephone charges close to West German levels in the near future. Telephone connections between the two countries are currently sporadic at best and rely on just a few hundred lines. Data transmission on the sub-standard lines is virtually impossible.

Some 23 per cent of East Germany's public switching equipment is over 55 years old, and only 7 per cent of households have a telephone, compared with 98 per cent in West Germany.

The post minister said he would be granting one extra licence allowing private sector involvement in the digital mobile phone network, but gave no further details. The postal service is already operating its old C-network in the East, and intends to spend another DM110m on improvements this year. How soon the chosen company could start operating is unclear.

A consortium led by the engineering group Mannesmann, selected at the end of last year from several applicants for a licence for the West German market, is not expected to be operating before the end of 1991.

Before 1991 the East German postal authorities will spend some DM540m extending the existing telecommunications network, with help from a DM240m loan promised by Telekom.

Mr Schwarz-Schilling said that private satellite systems should be on offer as soon as possible, as these could offer a speedy improvement of voice and data transmission services, before the ground connections were in place.

● East Germany needs more than DM200bn to keep its cars and trains rolling, East German Transport Minister Horst Gibtner said, Reuter adds from Munich.

He told reporters after a conference with West Germany's state transport ministers that the money was necessary just to modernise the country's poor roads and railways.

West German banks go east, Page 2

CONTENTS

Brazil civil service cuts may hit housing and education

The impending dismissal of about a quarter of Brazil's federal employees by the government of President Fernando Collor de Mello (left) has run into angry opposition. Housing and education may be hard hit

Page 4

MARKETS

STERLING
New York close
$1.7220 (1.7213)
London:
$1.7240 (1.7205)
DM2.8900 (2.8725)
FFr9.72 (9.66)
SFr2.4375 (2.4225)
Y265.5 (264.25)
£ index 90.8 (90.4)

GOLD
New York: Comex Aug
$353.1 (351.8)
London:
$348 (347.75)

N SEA OIL (Argus)
Brent 15-day Aug
$15.725 (15.775)

Chief price changes yesterday: Page 17

DOLLAR
New York close
DM1.6780 (1.67365)
FFr5.64 (5.628)
SFr1.4125 (1.4102)
Y153.95 (153.53)
London:
DM 1.6770 (1.67)
FFr5.6375 (5.615)
SFr1.414 (1.408)
Y153.95 (153.55)
$ index 67.5 (67.3)
Tokyo close: Y153.98

US closing rates
Fed Funds 8¼% (8⅜)
3-mo Treasury Bills:
yield: 8.00% (7.96)
Long Bond:
102½ (102$\frac{29}{32}$)
yield: 8.51% (8.47)

STOCK INDICES
FT-SE 100:
2,371.2 (+1.5)
FT Ordinary:
1,903.4 (−4.0)
FT-A All-Share:
1,169.61 (+0.1%)
FT-A World Index:
145.82 (+0.2%)
New York close
DJ Ind. Av.
2,895.30 (+1.74)
S&P Comp
359.10 (+0.83)
Tokyo: Nikkei
32,087.76 (+47.38)

LONDON MONEY
3-month Interbank:
closing 14$\frac{29}{32}$%(same)
Liffe long gilt future:
Sep 86⅛ (84¾)

EUROPEAN NEWS

Vaclav Klaus will keep Finance portfolio in new Czechoslovak Government

Prague reformer fends off Havel attempt to sack him

By John Lloyd

MR VACLAV KLAUS, Czechoslovakia's Finance Minister and the country's leading proponent of market reforms, has narrowly survived an attempt by President Vaclav Havel to sack him.

In discussions on forming a Government following Civic Forum's success in this month's elections, Mr Klaus was offered the central bank governorship. This will become an increasingly powerful position, but was seen by him (and the President) as a demotion.

In a series of tense meetings, he managed to beat off the move by playing strongly on his own good showing in the election, his popularity in the opinion polls (second only to Mr Havel) and the respect accorded his reforms by the International Monetary Fund, the World Bank and the world financial community.

However, the attempt lays bare the deepening rift between President Havel and his advisers, and Mr Klaus and those of his colleagues determined to press ahead with market reforms. The minister believes the President is being steered away from the harsh effects of the reforms – including price rises, unemployment and insecurity – towards a gradualist strategy which would try to retain some of the socialist economy.

This division is underlined by the fact that the Government and Civic Forum is a mixture of different kinds of dissidents: former Communists who were expelled from or who left the party after 1968, and anti-Communist radicals more inclined to the right.

However, Mr Klaus has strengthened his position by seeing off Mr Valtr Komarek, former First Deputy Prime Minister in charge of economic reform, who has criticised Mr Klaus harshly, but who is unlikely to play an economic role in the Government. He also believes that that the finance ministers in the Czech and Slovak national governments may provide support.

Negotiations on the new Government have been complicated by the union of Christian Democratic Parties' refusal to enter into a coalition with Civic Forum. Although the latter and its Slovak partner, Public Against Violence, command 170 of the 300 seats in the Federal Assembly, it needs the Christian Democrats' 40 seats to secure the required majority for constitutional change and electing a President.

However, the Christian Democrats are now likely to drop their objections to coalition, and Civic Forum leaders expect the Government to be agreed by the end of this week.

Italy's unions put the boot into a weakened coalition

THE TIME to strike in Italy is when the country has a weak Government, which is not necessarily all of the time. But the growing feebleness of the coalition led by Mr Giulio Andreotti, and its manifest inability to find responses to severe national problems, is the essential background to the call for a one-day general strike next month which Italian unions will issue today.

The stoppage, of course, is meant to inflict a certain amount of pain on private sector employers, led by Confindustria, rather than the Government. Although Confindustria has undoubtedly provoked the unions by shutting down the engineering industry's pay negotiations, the line of responsibility leads partly back to Mr Andreotti and his ministers.

They have yet to offer any sign of acting on their commitment to reduce employers' welfare costs. These are already much greater than in any other European Community country. Higher welfare costs and extra taxes placed an added burden of L8,000bn (£3.8bn) a year on Italian employers' in 1988 and 1989.

If the general strike and subsequent industrial action in the engineering industry prompts the Government, at the very least, to freeze social costs, then Confindustria will regard the present conflict as thoroughly worthwhile. Since Mr Andreotti usually reacts to gunfire by trying to buy the bullets, Italy will probably be spared really bitter unrest, although the final compromises may not be accepted be until the autumn.

However, the employers say they want more, rather a lot more, before they will contemplate completing the pace-setting engineering negotiations and those that will follow in textiles and other important industries.

For more than a year Confindustria has sought to prepare the ground for this pay round with warnings about competitiveness and lectures on pay restraint. Last January, it finally corralled the unions into a weak agreement, but the best available at the time, which committed them to bear in mind both the need to reduce domestic inflation and to improve industry's international competitiveness.

But if the Government is weak, so are the unions. Above all, they are beset by nascent rank-and-file movements, known as Cobas, which flower unpredictably and disruptively to express dissatisfaction with the fruits of their negotiatory labours.

The ever present fear of the Cobas phenomenon was one reason why the confederations effectively walked away from the January agreement by tabling demands in engineering and elsewhere for 40 per cent pay rises over three years.

Pressure from below for such

The planned strike is intended to hurt the employers, but government failures are the main cause, writes John Wyles

increases was largely of their and the Government's making. Ministers have conspired with the unions this year to breach the Government's own pay policy – designed to help curb the public sector deficit – which would have kept pay rises in public administration and services to 21 per cent over three years.

Agreements signed just before this May's local elections should yield around 29 per cent and will widen further the gap in average pay between public administration and private industry which last year stood at 16.5 per cent in favour of the government employee.

Having concluded, correctly, that the unions cannot deliver under the present rules, Confindustria says they must be changed so as to yield more predictable wage and production costs. The industrialists yesterday formally withdrew from the *scala mobile* wage indexation system (which covers wages against about 40 per cent of actual inflation). They did this to have a bargaining counter later in the year when they will press the unions either to pass wage bargaining largely down to company level, or to concentrate it at national level.

Present bargaining at both levels, says Confindustria, is causing unacceptable wage drift which last year pushed up unit labour costs by 7.7 per cent, compared with 4.5 per cent in the UK, 2.4 per cent in France, 1 per cent in the US and zero in West Germany.

The result is falling profit margins and declining market shares for some Italian exports in EC countries. The impact on the balance of payments, says Confindustria, is being masked temporarily by a boom in new Far East markets.

Iliescu gives promise to keep Romania on democratic path

By Judy Dempsey in London and **David Buchan** in Brussels

MR ION ILIESCU, who was yesterday sworn in as President of Romania, pledged to keep the country on the road to democracy and to end what he called its moral decay.

But doubts about the leadership's commitment to democracy were expressed yesterday by the European Commission which said that most of the Group of 24 western aid donors would follow its lead in proposing Romania should be excluded for the moment from their assistance programme.

Speaking after his inauguration in Bucharest's Atheneum concert hall, Mr Iliescu remained unapologetic about his decision to call in miners to crush anti-government demonstrations.

"Accusations that the authorities would have brutally repressed a peaceful anti-government demonstration and suppressed the opposition are not only irrational, but also lack any basis in fact," Mr Iliescu said.

But he admitted that there had been some excesses. "We unequivocally dissociate ourselves from all actions that went beyond a legal framework."

At least six people were beaten to death, scores injured by the miners and the security forces and over one thousand arrested.

Mr Iliescu, who called out the miners and workers to quash anti-government demonstrations, last week thanked the thousands of miners for coming to the Government's aid.

The US boycotted the inauguration ceremony but the European Community sent ambassadors on the grounds that Mr Iliescu was elected in a relatively fair and free election.

Mr Frans Andriessen, the EC external affairs commissioner, yesterday said it was up to the EC executive as the designated aid co-ordinator to propose new candidates for inclusion in the programme at the July 4 meeting of ministers of the G24 countries.

He said he had decided against inviting Romania to the meeting as a major political signal that the EC could not accept the measures by which the Bucharest authorities had put down demonstrations last week.

Contact with Romania will be maintained through the dispatch of an EC fact-finding mission to the country. Mr Andriessen said this might take the form of diplomats from the three EC countries which form the past, present, and future presidencies of the Community.

Hard road from revolution, Page 23

● *Ion Iliescu (right) surrounded by supporters after being sworn in as Romania's first elected president yesterday.*

Trade gap widens in France

FRANCE'S foreign trade deficit deteriorated in May for the second month in a row, largely reversing the implausibly sharp improvement in the early months of the year, writes Ian Davidson in Paris.

The trade deficit rose to FFr5.7bn (£590m) in May, compared with FFr4.4bn in April, in seasonally adjusted terms, according to provisional figures published by the customs service. This compares with a deficit of FFr800m in January and FFr1bn in February.

The deficit in trade in industrial goods, long a subject of anxiety, chalked up a further sharp deterioration to FFr7.12bn in May, compared with FFr6.95bn in April.If the surplus in arms exports is excluded, the civil industrial trade deficit rose to FFr9bn in May, compared with FFr8.7bn in April, FFr5.5bn in March and FFr3.8bn in February.

Charges brought

FRENCH public prosecutors have brought insider dealing charges against two more people involved in the failed 1988 stock market raid on Société Générale, the privatised commercial bank, writes William Dawkins in Paris.

They are Mr Jean Foureau and his son, Jean-Claude, both directors of Finances Capital, a fund management and securities group, both implicated in a case which is being seen as a test of the French authorities' attempts to clean up the stock market.

The move follows charges brought last week against Mr Jean-Charles Naouri, former chief adviser to Mr Pierre Bérégovoy, the Finance Minister, and Mr Jean-Pierre Peyraud, a financier, in connection with the raid on Société Générale. They were earlier named by the French Justice Ministry.

EC rebuff for Bonn over motor insurance

By Tim Dickson in Brussels

A LAST-DITCH effort by West Germany to delay the impact on its market of a European Community motor insurance directive ended in failure yesterday.

EC Internal Market Ministers meeting in Luxembourg agreed a "common position" on the measure – enabling companies and other large organisations to shop within the Community for third-party motor cover – but refused to grant Bonn the two-year breathing space it had been seeking.

The fiercely contested directive is a relatively small step towards breaking down the national barriers which inhibit cross-border business in insurance.

The Commission's original plan to bring motor insurance fully into line with the rules of a previous non-life directive had to be modified when several states argued that even large company risks should be controlled by the authorities of the country in which the insurance was being sold.

It was eventually agreed that the "host" country would, for an intermediate period, be able to control the insurance company's technical reserves, and that 100 per cent of the assets needed to cover claims would have *to be deposited in a local* account.

Notwithstanding the compromise, Brussels sees yesterday's agreement as a symbol of its determination to press ahead with plans later in the year for providing a true single market in insurance services.

Others, however, see Bonn's stance as an indication of the difficulties which lie ahead in prising open the heavily regulated West German market.

● The ministers also reached a common position on the Second Life Directive, which allows companies to sell life insurance to individuals contacting them on their "own initiative." Although political agreement had been reached on this issue last December, final adoption had been held up by the European Parliament.

Bulgaria to request debt rescheduling

Bulgaria is seeking to postpone payments of principal on its $10.3bn (£6.09bn) foreign debt until 1993 but will continue to pay interest owed, Prime Minister Andrei Lukanov said yesterday, Reuter reports from Sofia.

A delegation headed by Mr Veselin Rankov, president of the Bulgarian Foreign Trade Bank, is visiting London on Wednesday to discuss the rescheduling with a consortium of foreign banks.

Bulgaria would continue with interest payments on the debt, Mr Lukanov stressed.

Swedish commercial TV moves step closer

THE LEADERS of Sweden's ruling Social Democrats agreed yesterday that commercials can be shown on the country's television, but they did not specify in what form or on what channels they should be allowed writes Robert Taylor in Stockholm.

Mr Ingvar Carlsson, the prime minister, said the party executive's recommendation would go to this September's party congress for its approval.

Three years ago the rank and file threw out the proposal for commercial television in Sweden when they last met in congress.

But Mr Carlsson said opinion inside the party had now swung in favour of commercial television. The main reason for the lack of opposition to the idea stems from the dramatic impact made by commercial satellite television broadcasting to Sweden since 1988.

A growing number of Swedish television viewers now have access to a wide range of extra-terrestrial television channels. The existing two public television channels in Sweden have lost viewer ratings as a result.

All Sweden's main political parties are now ready to accept the introduction of commercial television into the country but they differ on how it should be organised.

The main conflict is whether the existing state channels should show commercials or whether a new third channel will be required and organised by a new television company.

The exact form that commercial television will take in Sweden will be decided by parliament. Mr Carlsson said he hoped there would be broad cross-party support for the proposal that will emerge eventually from discussion.

● Progress has been made in the 19-year-old dispute between Norway and the Soviet Union over demarcation of a 155,000 sq km area in the strategically important part of the Barents Sea, Mr Jan Syse, Norway's prime minister, said yesterday without giving details, writes Karen Fossli in Oslo.

Meetings between the two countries to settle the dispute were last held in March when the Soviet Union signalled a greater understanding for Norway's standpoint on the issue. The Soviet Union has favoured a boundary along a line following the meridian due north from the western edge of the Soviet coastline, while the Norwegians back a line equidistant from each country. The latter follows the 1958 Geneva Convention and the 1982 United Nations Law of the Sea Convention.

Bank tills ready to ring out as the big battalions march in

The West German institutions will be crossing the border in force on Sunday July 1, writes Katharine Campbell

THE FIRST of July, when the D-Mark becomes legal tender in East Germany, just happens to be a Sunday. Normally a commercially sepulchral day in West Germany, this particular Sunday, in East Berlin, Leipzig or Dresden, will ring to the tune of tills dispensing coveted D-Marks. The banks have decided to open at the earliest opportunity.

For West German institutions, awarded full banking status from July 1, it is the culmination of months of careful preparations. Whatever the technical hurdles, the lure of the nascent East German market, is proving irresistible. Though each bank says it will be content with securing the same market share as in West Germany, most are elbowing frantically for more.

Not content with a regional presence, the Bavarian banks are building a country-wide network. Westdeutsche Landesbank, the strongest of the regional public sector banks, has stolen a march on its rivals by an association with the East German foreign trade bank.

Meanwhile, the three largest banks are eyeing each other nervously as they weigh into the race.

Deutsche Bank, the biggest of all, says it will open with 130 branches with more than 7,000 staff. Dresdner, making the most of ties with its birthplace, will have some 90 branches and a complement of 4,000 staff. Commerzbank will start with just 15-20 branches, some 15 mobile buses, and between 300 employees – though it aims for 50 branches by the end of the year.

Commerzbank's initially more modest presence reflects its decision to follow an independent path. Deutsche and Dresdner took a short cut via joint ventures with the Deutsche Kreditbank, the commercial arm of the old state banking monopoly.

Deutsche garnered the lion's share of buildings and employees(118 branches and nearly 7,000 employees) – and would probably have aimed for more, had not the cartel authorities voiced concern.

Dresdner, meanwhile, says it would have preferred the independent route, but describes its complement of 3,500 state bank employees and 62 branches as a good compromise.

Deutsche's initially commanding presence could, however, prove a mixed blessing. The Kreditbank branches vary greatly in size (the smallest being station kiosks) and all are in desperate need of repair. Kreditbank employees have no experience of handling retail customers, let alone familiarity with the simplest western banking products.

THE CHALLENGE OF UNITY

Their former job was to distribute credits, according to central plan, across East German industry, and half were employed in the paper-intensive payments system. Despite extensive training programmes, it will be a long time before they are as productive as their western counterparts.

The roughly 7,000 new staff on Deutsche's payroll will be an appreciable cost even though bank employees, mostly women, were poorly paid, even by East German standards. Already the unions have secured a 40 per cent wage rise, and it is expected that wages will catch up with western levels relatively quickly.

Commerzbank, meanwhile, is initially staffing itself exclusively with West German employees. Like other banks, it is paying them a supplement of 20 per cent to move or commute weekly to East Germany. But a test advertisement in East German newspapers which produced 6,000 applicants convinced the bank that the "personnel question was soluble" according to Mr Axel Rüdorffer, managing board director in charge of East Germany.

With more than 80 per cent of the country's savings in the existing savings network, the banks' first task is to lure away as many customers – and cheap deposits – as they can. Commerzbank and Dresdner have said they will offer free current account services for the first year, though after that they plan to charge for them as they do in West Germany.

Meanwhile, the East German savings banks feel neglected by their western counterparts. Plans to reconstruct the East German savings system have become entangled in a long-running dispute about the future of the three-tier system in West Germany.

While the co-operative banks have smoothly arranged western help, the West German savings and regional banks agreed only this week to set up a central institution to provide essential assistance.

But the trickiest decisions will be on the credit side of the balance sheet. Here smaller companies, new and old, look the best bet. Because of continuing confusion about property rights in East Germany, it will be hard for West German banks to secure collateral against loans. Hence, credit judgments will have to be largely based on character assessments.

Mr Rüdorffer has at least one yardstick. "Anyone who was smart enough to get round the Communist system, with 95 per cent tax rates and a limit on private companies of ten employees, should survive under capitalism too," he says.

Even though the large state-owned Kombinate are being gradually privatised, they present a substantial credit risk. All have serious short-term liquidity problems, and West German banks are insisting that they will lend to them only if they are protected initially by a government guarantee.

Beyond that, it will be up to the bankers to judge which companies can survive in an open economy. Deutsche, Dresdner and West LB hope their East German partners will provide valuable local knowledge.

But the enthusiasm of Deutsche and Dresdner for these new-found relationships is tempered by their determination to avoid taking responsibility for the DM130bn (£45.6bn) of dubious industrial credits extended by the East German banking system under the old regime.

Nato ponders how to re-order the ranks

By David White, Defence Correspondent

PROPOSALS FOR changing the menu of Nato's forces from a "layer cake" to a "currant bun" were spelt out yesterday by a senior Allied commander.

The terms apply not to combat rations but to the organisation of troops in Germany. These are grouped in eight national corps areas stretching west from sections of the East-West German and Czechoslovak-West German borders.

General Hans-Henning von Sandrart, Commander-in-chief Allied Forces Central Europe, told a Royal United Services Institute conference in London that the existing "layer cake" arrangements could be adapted to reduced troop levels, but only in a transitional period. Retaining it would be of questionable military use and would give "the wrong political signals."

Nato needed to move to a concept of highly flexible, multinational forces. Although stationed forces would be smaller, the structure needed to provide operational mobility inside and outside the central region, and to be acceptable to the German public.

A possible formula might involve a covering or "guard force" comprising elements from all the region's nations, with a "rapid reaction" force grouped behind it, able to provide quick support. This could also be multinational, he said. Further back would be ranged "manoeuvre forces." These would be national or joint groupings, relying on reservist reinforcement but with permanent "field units" around which forces would form.

As seen on the map, these "concentration areas" would be the "currants" in the bun.

The general said studies were still at an early stage. He emphasised that the structure would depend on having modern, high-technology equipment and that "major steps" had to be taken so that different countries' forces could operate together.

Soviet warning over early all-German elections

By Leslie Colitt in East Berlin and **Edward Mortimer** in London

MR Gennadi Shikin, the new Soviet ambassador to East Germany, cautioned the Christian Democrat-led coalition governments in Bonn and East Berlin yesterday against exerting outside pressure on the "2 plus 4" negotiations on German unity.

Mr Shikin was referring to the decision this week by Bonn and East Berlin to hold all-German elections in December. The two Governments assumed that by this time the talks between the two German states and the four Second World War allies – which resume at foreign minister level in East Berlin tomorrow – would be completed.

The ambassador's comments were echoed in London by the East German foreign minister, Mr Markus Meckel, who also announced a joint East German-Polish-Czechoslovak proposal for pan-European security institutions.

This plan, which Mr Meckel said was intended to harmonise earlier separate proposals from the three governments, calls for a "Council on Security and Co-operation" to be set up by this autumn's summit of the Conference on Security and Co-operation in Europe (CSCE). It would, he said, involve a council of foreign ministers twice a year, with monthly meetings of ambassadors and a permanent secretariat, to be based in Prague.

Under this would be two "centres": one for confidence-building measures, arms control and verification, located in Berlin; the other "for the prevention of conflicts and their peaceful settlement, and non-military areas of CSCE co-operation", the location of which he did not specify.

Mr Meckel, a social democrat, said he now accepted it was not realistic to delay the first all-German elections beyond December or, at the latest, January. But he repeated that in his party's view a later date would have been better "for Germany and for Europe". He feared that negotiations on the external aspects might not be completed in time and that the united Germany might find itself either a member of both alliances, which would be "absurd", or still subject to the residual rights and status of the four victor powers.

Mr Shikin also disclosed that Mr Eduard Shevardnadze, the Soviet foreign minister, was considering an invitation from Mr James Baker, the US Secretary of State, to the ceremony tomorrow removing Checkpoint Charlie, the US-controlled crossing point between East and West Berlin.

West Berlin wants to scrap its blockade stockpile

NO LONGER an island in a menacing communist sea, West Berlin wants to scrap the huge and costly stockpile of emergency supplies kept for 40 years in case of another Soviet blockade, Reuter reports from West Berlin.

Red Army forces cut off all land routes to West Berlin in 1948-49 to try to force the western allies out of the enclave city. The allies broke the siege with a 10-month airlift and ordered a build-up of a permanent supply stockpile as a precaution.

In 1989, a democratic revolution toppled surrounding East Germany's Communist government, breached the Berlin Wall, launched the two Germanys towards union and left West Berliners wondering about their garrison mentality.

"When November 1989 came around and it became stunningly clear that Germany was on the way to unification, it became obvious that further blockades would be inconceivable," said Mr Gerhard Erbe, a senior city official. An Allied military spokesman declined to comment.

The four Second World War Allied powers, the Soviet Union, United States, Britain and France, still run Berlin's security under a 1945 pact splitting up Nazi Germany. What is now East Berlin and East Germany originated as the Soviet zone.

Talks between the Allied powers and the rapidly converging two Germanys to cancel these residual powers are now under way.

WORLD TRADE NEWS

Japanese attack EC moves to curb car imports

By Robert Thomson in Tokyo

JAPANESE car makers and government officials yesterday criticised plans by the European Community to restrict car imports from Japan as "transplant" production in the Community increases.

Mr Yutaka Kume, president of Nissan, expressed concern that Japanese cars could fall into a single category, regardless of whether they were manufactured in Europe.

"We are doing our utmost to increase local content levels in our plants. Is it fair to regard these cars produced in Europe as the same as cars exported from Japan?" Mr Kume asked.

Toyota said that any agreement on car sales should be in accordance with the the principles of "EC unification and the growth of free competition", but the company would not comment in detail on the EC move.

EC trade ministers have agreed a common approach to adopt in talks with the Japanese whereby imports from Japan would be increasingly curbed as production rose from Japanese plants in the Community.

Yesterday Mr Frans Andriessen, the EC external affairs commissioner, pledged to do his best to get by the end of July a deal with Tokyo on future growth of Japanese car sales in the Community, once national import curbs operated by several EC states disappear in the single EC market.

The Japanese have hinted that they are willing to accept a "transition period" of restrictions on exports after 1992, but they were annoyed yesterday that this concession could be abused by EC members to impose tight and indefinite restrictions on imports from Japan.

There are deep fears in the Japanese car industry that the EC members will introduce long-term quotas on imports from Japan after 1992, while congratulating themselves on allowing a relatively free circulation of an increasing number of vehicles produced in Europe by Japanese companies.

"You have to look at the different interests involved. Britain supports free trade of cars made in Britain, but doesn't necessarily support exports from Japan," one company official said.

Car industry officials said that they await with interest the possible announcement of an "absolute number" of Japanese cars allowed to be sold in Europe and a clearer definition of the proposed five-year transition period.

The European Commission hopes that a "basic arrangement" can be discussed with Tokyo by the end of the month, but Japanese government officials insisted yesterday that the EC ministers' agreement was a violation of the General Agreement on Tariffs and Trade.

EC urged to be more flexible in Gatt talks

By Tim Dickson and David Buchan in Brussels

MR Renato Ruggiero, Italy's Trade Minister, is urging the European Community to be more flexible ahead of next month's critical Uruguay Round negotiations in Geneva.

Mr Ruggiero condemned the "silly debate" over farm subsidies, and called on all parties to adopt a "new spirit of practical compromise".

He said: "When you see the problems in Geneva you see it is not impossible to find this necessary compromise. We must be sure that negotiations do not fail because of a theological debate, as we had in Paris (at the recent OECD ministerial meeting) between ourselves and the Americans."

Mr Ruggiero's remarks are important because Italy assumes the Presidency of the EC on July 1, and because of the cat and mouse game being played out between the EC and the US over negotiating positions on the key issue of farm trade reform.

Washington is not only sticking to its demand that global farm supports be dismantled by the end of the century but appears to be trying to put pressure on the EC to single out for separate discussion the EC's "trade distorting" export subsidies.

Community foreign ministers, by contrast, affirmed their backing for the EC's so called "global" approach though diplomats close to the meeting said particular concern was expressed by Italy, as well as by the UK and the Netherlands, about the need to break the Paris impasse. Mr Ruggiero suggested in his briefing that the EC needed to talk about "specific sectors" while continuing to take the "overall price" into account.

While the US and Cairns group can be expected to exploit any differences of emphasis within the member states, they are also pinning their hopes on a more flexible approach inside the Commission from Mr Frans Andriessen, the EC's External Relations Commissioner.

Renato Ruggiero: silly debate on farm subsidies

US presses case to lower barriers to export of services

By William Dullforce in Geneva

THE US has started to force the pace in the Uruguay Round negotiations on the liberalisation of world trade in services. Over the last 10 days it has sent to the 12 members of the European Community and to 25 other countries detailed lists of barriers to US exports of services which it wants to have removed or lowered.

The lists cover 17 sectors, including financial services, telecommunications, construction and civil engineering, advertising, accounting, management consulting, tourism and broadcasting.

Banking and securities markets have not been touched but recipient countries have been told that additional lists for these sectors will be sent in two weeks. Barriers to road transport have been targeted but not, so far, aviation and shipping, areas which important lobbies in the US want to exclude from the Uruguay Round talks.

In each sector the Americans have pinpointed specific barriers. Examples include restrictions preventing users of circuits leased from telecommunication authorities from offering unused capacity for sale to third parties; government subsidies for exports of construction services; and a government ban on foreign investment in advertising agencies.

By its latest move, the US is trying to precipitate a request-and-offer process, under which governments will negotiate bilaterally reciprocal market-opening concessions, although agreement has still not been reached on a general framework of principles and rules to govern the $600bn-a-year services trade.

Representatives of US services industries, who visited Geneva last week, emphasised that the US Congress was unlikely to ratify an international agreement on trade in services unless it provided for real cuts in trade protection.

Mr Richard Self, the US negotiator on services, said yesterday that the US lists aimed at achieving serious bilateral negotiations on substantive reductions of barriers by the autumn.

If an initial set of liberalising measures were not in place by the end of the Uruguay Round in December, the US would be "less interested" in having a services framework, Mr Self said.

Washington's attempt to hustle the governments into negotiating hard deals has aroused misgivings. Some trade officials noted that the US move goes further than the instructions given by trade ministers at their mid-term review of the Uruguay Round in December, 1988 that countries should submit lists of "sectors of interest to them".

However, US officials argue that the target date for submissions of May 1989 has long passed and with less than six months before the end of the Round the need for urgency has increased.

Greater controversy is likely to centre on some of the targets for liberalisation contained in the US lists. The EC, for instance, is being asked to open up its market for audiovisual services. Last year the EC decided to limit imports of US and other non-EC television programmes.

Significantly, when the EC tabled its blueprint for a General Agreement on Trade in Services (Gats) on Monday, EC officials said they would put forward later drafts of annexes, to modify the application of the general provisions to some sectors, including audiovisual services.

Davy wins aluminium mill order

By John Ridding in Seoul

DAVY, the UK engineering and construction group, has won a contract to design and supply technology and equipment for the construction of South Korea's first aluminium hot rolling mill.

The $101m contract was awarded by Aluminium of Korea, a subsidiary of the Hyundai Group, one of South Korea's largest conglomerates. Davy will receive about $70m while Hyundai Heavy Industries, its consortium partner, will receive the balance.

The order takes to more than $1bn the value of contracts won by Davy in South Korea. It has won several substantial orders from Pohang Iron and Steel Company, the world's third largest steel producer, since the early 1980s.

Under the terms of the contract, Davy is responsible for the design, the supervision of construction and the supply of certain machinery for one hot aluminium rolling mill and two cold rolling mills. According to Davy, the hot rolling mill includes its newest technology and is one of only four in the world to use a twin coiler – a more efficient system of rolling aluminium than the single coiler.

Davy defeated a rival bid by the Mitsubishi Group.

Renault salesmen look east

By William Dawkins in Paris

RENAULT, the French state-owned car maker, has recruited 200 dealers in East Germany, in by far the most ambitious marketing effort yet there by a non-German motor group.

The dealers met for their first sales and training convention in Berlin this week and are expected to sell at least 8,000 cars this year, mostly the mid-range Renault 19, the biggest selling foreign car in West Germany. Renault expects this nearly to double to 15,000 by 1993.

"We have been interested in the possibilities of East Germany since before the fall of the Berlin wall last year. I believe the market will climb very quickly because there is strong pent-up demand. It could temporarily level out later, but there is structural growth there," said Mr Paul Percie du Sert, Renault's vice president for sales.

At current rates, Renault executives estimate the East Germans will buy more than 250,000 cars this year, a big increase on the 170,000 sold in 1988, as they seek to replace their primitive Trabants. Renault estimates the market could expand to more than 400,000 vehicles a year by the mid-1990s.

Opel, the West German subsidiary of General Motors, and Volkswagen already manufacture and have dealerships in East Germany, where they plan to produce at least 150,000 vehicles a year. Peugeot, meanwhile, is exploring dealerships there for the diesel versions of its 205 hatchback and 309 saloon, while Fiat, Mitsubishi and Mazda are also studying East Germany.

Renault will train the dealers, selected from more than 400 Trabant repair shops by Renault's Berlin regional office, set up last January. They have no sales experience, since they were not allowed to sell vehicles under the former socialist regime's monopoly of the car industry.

Until recently, Renault sold only a few hundred cars in East Germany, through Intershop, the state controlled distributor which sold western products in exchange for hard currency. Its new dealers have orders for 5,000 vehicles.

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Court lifts Motorola output ban

By Louise Kehoe in San Francisco

MOTOROLA has won a reprieve from a court injunction which for a few hours on Tuesday forced the company to halt production and shipments of its flagship microprocessor chip product.

The Federal Court of Appeals in Washington DC granted Motorola's request for a stay of the lower court's order late on Tuesday.

The stoppage threatened to disrupt production at dozens of computer plants which use the 68030 microprocessor, available only from Motorola, as a key component in personal computers and workstations.

The injunction was issued on Tuesday morning by a judge in Austin, Texas, in a ruling on a patent dispute between Motorola and Hitachi of Japan. The judge found that both Motorola and Hitachi had infringed upon each other's patents.

The ruling banned both companies from making or selling the disputed semiconductor products in the US. Motorola, which had estimated 1989 sales of its 68030 chip at more than $100m, had far more to lose from the court order than Hitachi, whose H8/532 microcontroller chip is not widely sold in the US.

Later the same day, however, the appeals court suspended the injunction, pending an appeal in the patent dispute. Motorola said it had until tomorrow to file a formal appeal. Negotiations between the companies were continuing.

The episode will shake the confidence of computer companies dependent upon single suppliers for key components.

Motorola's difficulties may also make other US semiconductor companies less inclined to file patent suits against competitors. Such suits have become a commontactic among US chip makers aiming to win royalty payments from foreign competitors.

Chinese sign $450m aircraft leasing deal

By Kieran Cooke in Dublin

GUINNESS Peat Aviation, the aircraft leasing company based at Shannon in the Irish Republic, has signed a $450m contract with an offshoot of CAAC, the state-owned airline of China, for the lease of 10 Boeing B737s.

The aircraft will be put into service with China Southern, a new airline based at Guangzhou in southern China.

As part of the contract GPA will purchase 10 Boeing B737-200 aircraft at present in service with CAAC. GPA says that this is the first time China has acquired new aircraft on operating lease. Up to now China has purchased its aircraft for cash or through long term bank financing.

The contract is believed to be the first time CAAC has "rolled over" part of its fleet.

CAAC will operate the new aircraft on a 10-year lease arrangement.

AMERICAN NEWS

Pentagon reveals plan for 25% cut in armed forces

By Lionel Barber in Washington

THE Bush Administration has outlined plans for a 25 per cent cut in the armed services over the next five years, in response to a reduced Soviet threat and remote prospects of a land war in Europe.

The Pentagon plan – the clearest official thinking to date on the future size of the US military – has been praised by Congress for paving the way for a new consensus on force structure.

Differences remain, however, as the plan's emphasis on preserving weapons programmes means only a 10 per cent cut in spending over the five-year period, with little savings expected in the current fiscal year. This is anathema to Democrats wrestling with the Budget crisis and the need to meet Gramm-Rudman deficit reduction targets.

Under the plan, about 600,000 civilian and military workers would be cut from the Pentagon's 3.1m payroll. Six active-duty Army divisions would be retired out of the present 18 divisions; 111 ships would go, cutting the Navy to 450 ships; and the Air Force would remove 11 of its 36 tactical fighter wings (each usually contain 72 aircraft.)

The cuts would save an estimated $8.6bn (£5.08bn) over five years.

But Mr Richard Cheney, Defence Secretary, is still push-

Cheney: making demands

ing for sizeable increases in funds for strategic nuclear weapons, new conventional arms and the SDI anti-missile defence system. As a result his proposal would only reduce the Administration's 1991 fiscal defence budget from $303.3bn to $302bn.

Democrats complain that Mr Cheney is still hedging his bets – as he did last spring when he unveiled what was billed as a wide-ranging aircraft review. In fact, almost all key weapons systems were either left intact or stretched out, rather than cancelled.

Mr Cheney's response is that crucial agreements with the Soviet Union on strategic and conventional arms have still to be secured.

The cuts presented this week are only "illustrative" and assume the arms agreements are completed.

He also said that a House proposal to cut defence spending to $295.4bn would require a 35 per cent cut in troop strength, while the Senate budget committee's plans for a fall to $293.9bn would mean cuts of 50 per cent.

Despite the jockeying for position, Senator Sam Nunn, the influential chairman of the Senate armed services committee, said: "I think this means there is an emerging consensus on a force structure cut of between 20 and 25 per cent."

Slow growth in US economy

By Peter Riddell, US Editor, in Washington

THE US economy continues to grow slowly, with little change in the underlying inflation rate, according to the regular survey of regional business conditions prepared by the Federal Reserve before its policy-making Federal Open Market Committee (FOMC) meeting on July 2 and 3.

The survey, known as the beige or tan book, is likely to *confirm the view of the economy* held by most of the Fed governors and regional bank presidents, which has led to no change in short-term interest rates since last December.

Mr Gerald Corrigan, President of the New York Fed, has said this week that the two key factors responsible for the rise in long-term interest rates earlier this year – namely concern over rising inflation and a stronger than expected economy – had been reversed.

The Fed states: "Reports on the behaviour of consumption are mixed, and construction is indicated to be softening further. Capital goods industries are, on balance, pointing toward growth, and manufacturing is expected to strengthen in several districts [large areas covered by regional Feds]."

The survey notes that retail sales have been slow, though *"it is unclear how much of the* recent softness in retail sales represents temporary factors, such as unusual weather over the last several months."

This pattern of slow growth has been accompanied by "an easing in demand for credit. Real estate, consumer and business loans are still growing, but at reduced rates in recent months. Lenders are reported to have tightened standards, especially for real estate loans, but there is still little information that suggests credit restraint is spreading into other markets."

This follows increasing complaints – most recently from Mr Robert Mosbacher, Commerce Secretary, and Mr Jack Kemp, Housing and Urban Development Secretary – about a more general "credit crunch."

Apart from property lending, the report notes only some *impact on small businesses in* some areas. The San Francisco Fed reports that "lending standards have become more stringent in recent months", and both Richmond and St Louis have referred to credit constraints for the first time.

● The Congressional Budget Office yesterday revised up its estimate for US economic growth this year to 2 per cent, from its projection of 1.8 per cent last January, but this is still less than expected by the administration.

Darman to seek deficit trim of up to $50bn

By Peter Riddell in Washington

MR RICHARD Darman, US Budget Director, was preparing yesterday to put forward a package of spending and tax measures intended to cut the federal deficit by between $45bn and $50bn in fiscal year 1991, starting in October.

This came as the six-week old budget talks entered their crucial negotiating stage.

The package was expected to face immediate Democratic Party criticism, because it includes a $17bn cut in projected spending on entitlement programmes such as social security, Medicare for the elderly, Medicaid for the poor, military veterans' benefits and farm subsidies. This is $5bn higher than cuts proposed in the Bush administration budget last January. Also, there would be a $3.5bn cut in discretionary domestic programmes.

Moreover, the suggested savings in defence spending are only $2bn to $3bn more than the $3.2bn cut put forward in January – a much smaller reduction than the Democrats have been urging.

The package includes the near-$20bn in new revenue and user fees proposed in the January budget, including a controversial cut in capital gains tax which would raise revenue receipts initially. The new revenues are not regarded as violating President Bush's promise to levy no new taxes.

Mr Darman's plan involves modifying – by postponing the date of a balanced budget and excluding most of the costs of the savings and loans industry rescue – the Gramm-Rudman statutory targets for reducing the budget deficit

CORRECTION
US thrifts rescue

AN article in the Financial Times of Tuesday June 19, entitled "Thrifts scandal casts a shadow over Washington", inadvertently referred to the costs of the US savings and loans rescue rising from $73m to $132m. This should have read: from $73bn to $132bn.

Brazil winces under job slashing

By Christina Lamb in Rio de Janeiro

ON THE door of Room 204A of the Patent Office in Rio de Janeiro is a picture of a clenched fist, under which is scrawled: "The struggle continues."

Inside, Mr Gilberto Barata, president of the local branch of the Public Servants' Union, has been holding hot-tempered meetings all week to decide on action against impending dismissal of about a quarter of Brazil's federal employees.

As the first list of Patent Office dismissals arrived on Tuesday (10 per cent, but more expected), tempers rose among the workers, already on strike. "This will mean the collapse of the patents and trademark system," said Mr Barata. "We run the only patents information bank in Latin America. With the 20 to 30 per cent cuts, the Government has asked for, this will be impossible."

It is becoming clear that the government of President Fernando Collor is cutting on a numerical basis, without considering effects on services. "The problem is not that the state is too big or too small, but that it is run badly," said Mr Herbert de Souza, head of an independent social research unit. "It's like a doctor trying to cure a sick patient by cutting off 30 per cent of each part of his body."

No-one doubts that the bureaucracy, which last year ate up 26 per cent of GDP, needed reform, nor that the move is popular among the public, who see the civil service as corrupt and inefficient.

But the decision in April to cut 360,000 jobs, to help reduce the fiscal deficit, seems to have been approached too hastily. New auditors were sent in to assess the various sectors but then hard-pressed ministers were given little more than a month to lists cuts.

So far, the office of Mr João Santana, Administrative Secretary and responsible for organising the dismissals, has received only 90,000 names, of which only 13,000 have been published, despite the a deadline having passed on Monday. According to Mr de Souza, those released so far will mean the termination of housing and education programmes, as well as the closure of museums.

While the Agriculture Minister was proudly erecting a huge for-sale sign outside the now-extinct National Cocoa Commission, he was keeping quiet about the fact that 400 technicians removed in Rio would mean the collapse of the food inspection service. More than half the 6,500 staff struck off the ministry payroll are laboratory and field technicians, whose departure will end anti-malaria programmes.

Mr Barata complains: "The Government has shown a criminal lack of responsibility, first by deciding dismissals without technical criteria or discussion either with employees or users of the service. Then, they have not taken into account the effect on the social system. They are cutting health, educational and cultural programmes across the board. It is the sort of thing that should be done over several years."

The delay in the announcement of the total cuts is partly due to a constitutional restriction, which means all those with five years of service are guaranteed life tenure. Many of those removed will remain on the public payroll, but on reduced pay, a move the unions intend to challenge in court.

Talks between Ms Zélia Cardoso, Economy Minister, and union leaders broke down after the Government refused to suspend the dismissals in return for an end to strikes.

Florida plans for new Cuban influx

A FLORIDA commission has issued a plan which outlines how the state could cope with a sudden change in the Cuban government and an influx of immigrants to southern Florida, Reuter reports from Tallahassee.

Mr Jorge Mas Canosa, commission chairman,
told reporters he was confident that eastern Europe's shift towards democracy would eventually weaken President Fidel Castro's power in Cuba.

The report, prepared by the Commission on a Free Cuba, aims to avoid the chaos and financial hardship placed on the city of Miami after the influx into southern Florida in 1980 of some 125,000 Cubans on small boats during less than five months.

Experts believe a similar wave of immigration could occur if Cubans were suddenly free to leave their country to seek better jobs and family members in Florida.

The 19-page report outlined 25 broad proposals for state agencies to implement so as to avoid mass confusion in the event of sudden political change in Cuba.

Mexico 'to have $1.6bn loans from Japan'

By Richard Johns in Mexico City

JAPAN has agreed to extend development loans worth the equivalent of just over $1.6bn to Mexico, President Carlos Salinas de Gortari said before his departure from Tokyo after what appears to have been a successful four-day visit to Japan.

In a big public relations exercise aimed at lifing confidence in Mexio's economic future, the president told the National Press Club in Tokyo that his administration had received 30 Japanese investment proposals, concentrated in the automobile, electronics, high-technology and tourism industries. But none was specified.

On the eve of his depature, the total amount of credit being made available by Japan almost doubled from the $815m initially announced by the Mexican Government – most of this sum to be devoted to reducing pollution in the Valley of Mexico.

Apart from this official aid, the Japanese Export-Import Bank, according to the reliable daily El Economista, is to provide $300m to support Mexican exports and another $345m to finance an electricity generating capacity at Lázaro Cárdenas on the Pacific coast in the state of Michoacán (site of the Sicarsta steel plant earmarked for privatisation by the Mexican Government, which hopes Nippon Kobe Steel will buy the plant).

That credit, the newspaper reported, would be complemented by one of $145m from the Mitsubishi Corporation.

At the outset of the presidential visit, the Mexican Finance Ministry announced that the Japanese Government had agreed to lend the equivalent of about £815m in aid, mainly for anti-pollution programmes, especially the development of low-sulphur fuels.

At his news conference in *Tokyo, Mr Salinas was quoted* as saying that it would only "a matter of weeks" before Mexican shares would be floated on the Japanese stock market.

He was also reported as saying that the negotiation of a Mexican free trade agreement with the US, announced last week, would "provide greater export opportunities for other Latin American countries".

Mr Salinas left yesterday for Singapore, seeking greater trade and investment flows with Pacific Basin countries.

Surinamese forces retake mining town

SURINAMESE troops recaptured yesterday the eastern mining town of Moengo from guerrillas who had held it since October, the official Surinam News Agency (SNA) reported, Reuter writes from Paramaribo.

Civilians and soldiers were injured in the fighting and taken to hospitals in the capital Paramaribo, SNA said. It was not immediately known if anyone was killed.

The Dutch news agency ANP reported that the rebels had blown up the offices in Moengo of the Suralco bauxite mining company, a subsidiary of Alcoa. It also said machinery for loading bauxite was damaged.

Troops had been advancing on Moengo, 60 miles east of the capital, for two weeks. Bauxite and aluminium are Surinam's main source of foreign exchange.

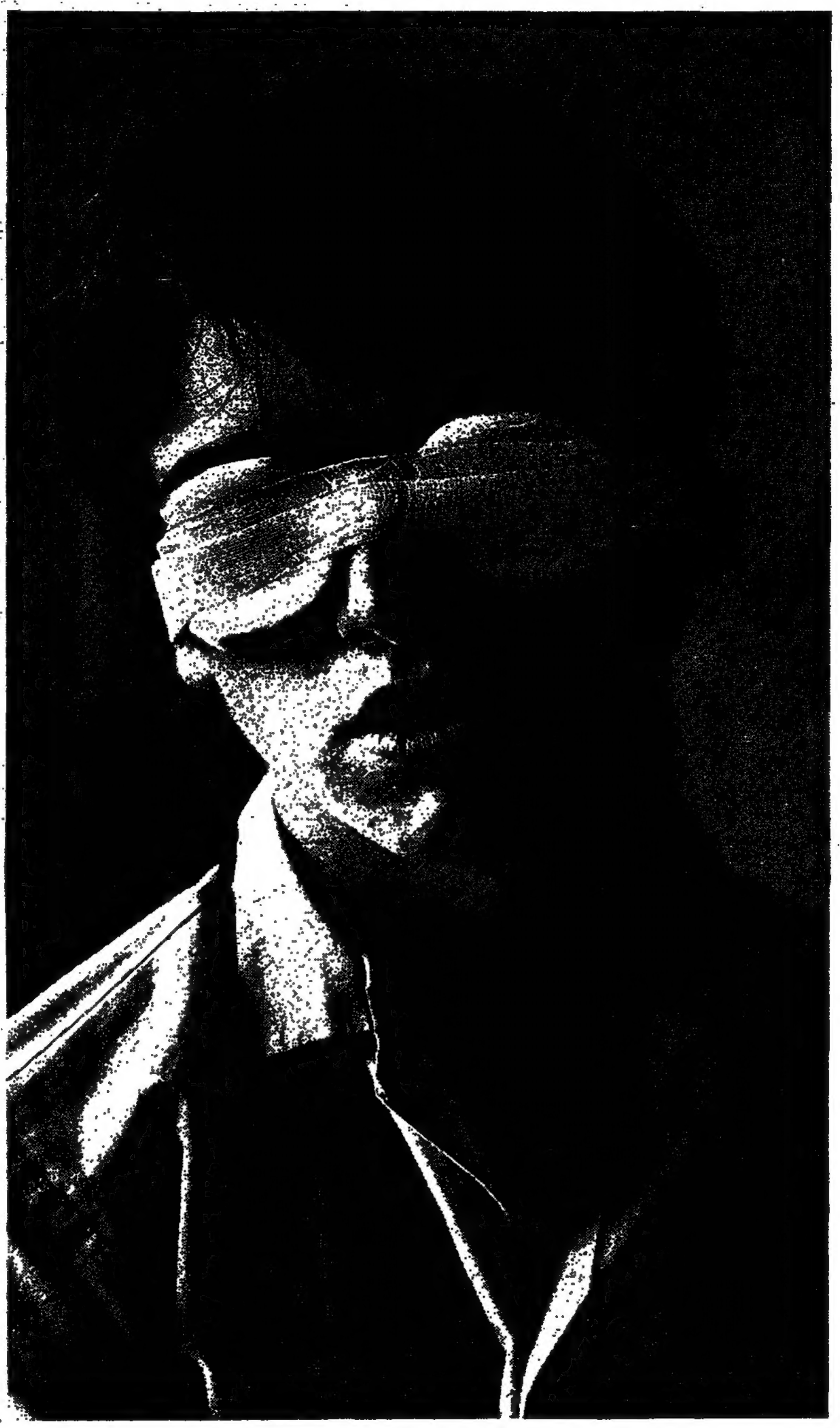
The attack followed the arrest in French Guyana on Monday of Mr Ronny Brunswijk, the guerrilla leader who launched an uprising in 1986. French officials in Paramaribo said he had asked for asylum in the Netherlands.

lashing

Surinamese forces retak mining tow

laces.

"Look me in the eyes and say you can't spare a few quid."



Forgive the bluntness, but we have a point to make.

James here is one of over a quarter of a million people who are registered blind or partially sighted in Britain.

Every day, he's joined by another forty.

That's tragic enough, but here's the bit that really hurts.

We could cure or prevent most kinds of blindness with one simple injection.

Of cash.

For those of you who find this a little hard to swallow, let us explain.

Moorfields Eye Hospital in London, (where James was a patient) is world famous for its success in the treatment of blinding diseases.

Surgical techniques that are now standard throughout the world were pioneered here.

Every year, 300,000 out-patients are referred to Moorfields, and for many of them, it's their last hope.

Three miles away in Judd Street is the Institute of Ophthalmology, Moorfields' research arm.

It looks like just another crumbling Victorian building in a street full of crumbling Victorian buildings.

Yet in the rarified world of ophthalmological research, it too is world famous.

The people working here have been responsible for some of the most important advances of recent years in the curing of blindness.

The technique of implanting plastic lenses to cure cataracts, for example.

The discovery that the puppy dog worm, toxocara canis, was blinding young children.

The connection between excess oxygen at birth and the incidence of blindness in premature babies.

The invention of the first diode 'suit-case' laser.

Not to mention countless surgical procedures now being used at Moorfields.

Even as you read this, they're on the verge of more breakthroughs.

But sadly, that's where they'll stay unless we can raise £42 million, fast.

For the building on Judd Street is now too small, too badly-equipped and too far away from Moorfields to do the job properly.

Although the Institute's reputation attracts the world's top eye specialists, there's nowhere to put them.

Some are working in corridors, most are using obsolete equipment and none of them have adequate laboratory and workshop facilities.

Worst of all, they're separated from the very people they're trying to help by three miles of London traffic.

The solution is simple, but expensive.

Move the Institute to a new building, on a site right next to Moorfields, where there will be plenty of room for all the offices, labs, libraries and lecture rooms.

Fill it with the most up-to-date equipment.

Staff it with the right number of trained technicians.

Found new Chairs in Molecular Genetics and Cell Biology. In Developmental Neurobiology and Inherited Retinal Disorders.

Then let the researchers get on with it.

The result will be a centre of excellence into the prevention and curing of blinding diseases that will be the envy of the world.

And a source of fresh hope for people who are fresh out of it.

The Duke of York, our patron, has recently launched The Fight For Sight Appeal to make all this possible.

If you'd like to know how you can help, send us the coupon below.

If you'd like to contribute, send us your cash.

(Or ring our Credit Card Line on 071 383 0528 if you're an Access or Visa holder.)

A few quid or a few thousand quid, it all helps.

And maybe one day, someone like James will be able to look you in the eye.

With thanks.

If you'd like to know how you or your business can help The Fight For Sight, please complete the coupon (or attach your business card) and send to the address below. (BLOCK CAPITALS PLEASE) FT2

Name__________

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Postcode______ Tel No.______

Send to: Fight For Sight (Special Appeal), Judd Street, London WC1H 9QS. Telephone 071-383 0528.

THE FIGHT FOR SIGHT APPEAL

Tokyo promises a tougher stance on monopoly laws

By Robert Thomson in Tokyo

THE Japanese government yesterday admitted that it had not been tough enough in enforcing anti-monopoly laws and promised that violators would now face possible criminal charges and more severe penalties.

Fair Trade Commission (FTC) officials said that the government hoped to change public perceptions about monopolistic activities, which have been targeted by the US as a "structural impediment" to trade. And Mr Shin Hasegawa, *the Justice Minister*, yesterday proposed a joint prosecution agency with the FTC to make prosecution under the Anti-Monopoly Law easier.

The FTC said there was provision under the existing law for criminal prosecutions but there was a general perception in Japan that anti-monopolistic activities should not be seen as criminal. "We want Japan to know that these activities could be a crime, and we want the procedures of the law to be transparent. This is really a major change for us," a senior FTC investigator said.

*In the post-war period, crimi*nal charges have been laid only once, when the Petroleum Association of Japan and 12 oil wholesalers were charged with forming an illegal cartel in 1974 in the wake of the oil crisis.

But the FTC announced yesterday that under the new standards, suits could be filed if there is reasonable evidence that a cartel exists to fix prices, restrict supplies, apportion market shares, or to rig bids for tenders.

Prosecutions could also be filed if companies continue to breach regulations after receiving an FTC order to comply with the law. In the past, the FTC has settled most cases with a simple warning or, if that was ignored, a second warning, and, *in a few cases*, has itself imposed relatively small fines on offenders.

Last year, the FTC investigated 270 cases, 169 of which were found to involve a breach of the law, resulting in an FTC order to stop the illegal activity. In 1988, 180 cases were investigated, and 95 warnings issued.

Justice Ministry officials said that tougher fines should be imposed on violators. At present, a retailer ignoring repeated FTC orders could be fined a maximum of 1 per cent of sales over the period of a *cartel's existance.*

The government's announcement appears intended to coincide with the preparation of a final report for the Structural Impediments Initiative (SII) talks on trade, due to finish at the end of the month.

Cash-starved regime courts an ecological disaster

Burma's huge teak forests are being destroyed in exchange for foreign funds, writes Roger Matthews

BURMA'S unique teak forests, source of more than 70 per cent of the world's reserves, are being cut down at the rate of 1.25m acres a year, according to recent satellite surveys. If felling continues at this rate *the country's teak stocks* will be exhausted within 15 years.

The area cut each year has increased more than five-fold since the creation of the State Law and Order Restoration Council (Slorc) in September 1988. Faced by an international aid ban for its brutal suppression of pro-democracy demonstrations, Slorc has exploited Burma's natural resources as its primary source of foreign exchange.

Burma has been famed for its teak for decades and had, until 10 years ago, followed strict conservation procedures. These policies have now been abandoned.

Forestry experts are shocked by what they describe as the reckless inroads made into the 19.7m remaining acres of hardwood forests and by the serious long-term ecological damage which will follow.

International companies are playing a central role, especially those from Hong Kong, Japan, Singapore and Taiwan. China is extracting timber in the north while Danish and Italian companies also have a presence.

But the most important relationship is between Burma and Thailand.

*On November 26 1988 General Cha*tichai Choonhavan, Thailand's Prime Minister, revoked all logging licences in his country following floods in the south which cost 350 lives and more than $120m (£71m) of damage. Massive deforestation was blamed for the disaster.

Less than three weeks later, despite widespread international revulsion at Slorc's human rights violations, General Chavalit Yongchaiyudh, then Thailand's army commander, led a team of officers for talks in Rangoon. The most obvious result has been more than 40 three-year logging concessions awarded to Thai companies.

Many of these companies have close family links to military officers and to politicians who form part of the ruling coalition.

Visitors to logging areas in Burma say that some of them are ripping out trees without supervision or concern for the forest.

Under forestry regulations set down under British rule as long ago as 1891 and followed until recently, 15 "seed" trees must be left standing on each 2.5 acre area logged. These trees are usually the biggest and can be up to 120 years old.

Since last year they are also the trees that are being cut down first. With the current price for best quality teak close to $5,000 a cubic metre, the largest trees can be worth up to $75,000 each.

The logging companies are also ignoring regulations protecting trees on hillsides where the gradient is 30 per cent or more – one of the causes of the Thai disaster – or within 50 metres of streams and rivers.

Damage is being compounded by a contract awarded to a Singapore company which allows it to saw up the stumps of trees. Regulations demand *that a stump two feet* high must be left; if correctly treated, stumps begin to throw up shoots after rains and again provide ground cover.

However, the Singapore company has found that wood from the stumps is superbly grained and it has developed a profitable venture exporting teak parquet flooring to the US. Legislation is currently before the US Congress which would ban the import of teak originating in Burma.

Without the tree stumps a wasteland is being created, with vast areas of the country, especially along the border with Thailand, being devastated.

FORESTRY Department officials in Burma appear to be powerless. U Ba Thwin, the director general, has been to Bangkok for talks with his opposite number but with little effect.

All concessions are now awarded by Myanmar Timber Enterprise, set up last year and headed by General Chit Swe, a member of Slorc and the minister responsible for agriculture. The change was made as part of the regime's purported policy of economic liberalisation and private sector encouragement.

Myanmar Timber announced yesterday it was revising the fees which it charged 30 Thai logging companies. Charges for teak would climb from $150 a "ton" to $350 a "ton" with smaller rises for other hardwoods (under Burmese practice a ton is equal to 1.8 cu m).

Although Thai companies have complained over the increases their operations should remain highly profitable, with an average tree of 5 cu metres worth close to $25,000. The new tax payable to Burma would amount on average to just $1,750 a tree.

Burma is virtually the only country left in the world exporting teak logs. Overseas sales have soared from 62,000 cu m in 1977 to about 200,000 cu m last year. This is in sharp contrast to other hardwood producing countries in Asia, such as Indonesia, which have banned exports of all logs to develop their own higher value-added industries.

Forestry experts fear that unless the Burmese regime can be persuaded to reverse its present logging policy – while developing its own wood-processing industries – the long-term damage to the country's economic and ecological future could be severe.

As the ninth poorest country in the world, Burma can ill afford to squander its few natural advantages.

New Zealand forestry sell-off, Page 34

Burmese student arrested in Bangkok yesterday for protesting outside the Burmese embassy

Burma's rulers show their hand

By Roger Matthews in Bangkok

THE tactics worked out by Burma's powerful Directorate of Defence Services Intelligence to prevent changes in the country's power structure following the May 27 general election are gradually being revealed.

Despite the overwhelming electoral victory scored by the opposition National League for Democracy and its political allies – they may control nearly 450 of the 486 National Assembly seats – the military leadership has listed the issues on which it will not give way.

General Saw Maung, who heads the State Law and Order Restoration Council, said in Rangoon that the army would not tolerate a repeat of the 1988 pro-democracy demonstrations, which were crushed by troops. This suggests an indefinite ban on public political meetings.

In addition the army would not be challenged on what Gen Saw Maung termed its basic duties: preventing disintegration of the nation and national solidarity and defending national independence and sovereignty. The wording would seem to allow the army to intervene in any matter it chose to.

However, intervention would only become relevant once a new government was formed. Gen Saw Maung said he believed this would take some time.

He added the 1947 constitution under which Burma gained independence from Britain was seriously flawed and would have to be substantially re-written.

Again he warned that this would be a long and complicated process during which, Western diplomats believe, military intelligence will intensify efforts to undermine and divide the elected leadership of the National League for Democracy.

The less patient supporters of the League have, so far, been held in check.

But if the military refuses to hold talks and does not release Aung San Suu Kyi, the party's secretary general, from house arrest, public anger could again spill on to the streets.

The allegiance of ordinary soldiers, many of whom voted for the opposition, would then be tested.

Taipei halts China project

By Peter Wickenden in Taipei

THE Taiwanese Government has persuaded Mr Wang Yong-Ching, chairman of Formosa Plastics, to suspend plans to build a $7bn (£4.14bn) petrochemicals complex in mainland China.

Taipei feared the core of Taiwan's manufacturing industry would move to China if Formosa, Taiwan's largest conglomerate and a bellwether of the country's petrochemicals industry, invested there.

Confidence in Taiwan's investment climate plunged when Mr Wang began negotiating in earnest with Chinese *authorities early this year.* Taiwanese businessmen argue that investing in China would boost faltering low-technology industries and provide funds to upgrade operations at home.

Although Formosa has reportedly bought land in Fujian Province for the petrochemicals complex, Mr Wang, who is in Peking, has repeatedly said he would not build it without Taipei's approval.

Were the plant to be built in Taiwan Mr Wang wants subsidies for the land, and a harbour for the company's exclusive use. Taipei now appears willing to provide the latter, if not both.

Blasts on US warship

By Robert Thomson

THERE were two explosions yesterday aboard the US aircraft carrier Midway off the Japanese coast, injuring at least 16 sailors, and embarrassing the US on the eve of celebrations to mark the 30th anniversary of the controversial Japan-US Security Treaty.

Late last night, one sailor was still missing after the explosions, which Japanese government officials said were caused by a faulty catapult launching mechanism. There was a small protest last night outside the vessel's home port near Tokyo.

The Midway, about 125 miles north-east of Tokyo when the accident happened just after noon, was on its way to a joint military exercise off northern Japan. A fire broke out after the explosions, but Japanese defence officials were told by US officials last night that the blaze was extinguished and the vessel was due back in port today.

Japanese media reports of the accident last night raised the possibility that the vessel was carrying nuclear weapons, which have been a source of friction under the Security Treaty, signed in June 1960 after a review of a post-war defence agreement.

India plans private role in power production

By K.K. Sharma in New Delhi

THE Indian government will introduce legislation to allow private companies to enter the electricity generation industry and offer incentives to speed the establishment of generation plants, Mr Arif Mohammed Khan, the Energy Minister, said yesterday.

Power generation is the first area dominated by the public sector in which the Indian government is taking concrete action to encourage private sector participation.

Although India has are some privately-owned electricity generation companies – notably a Tata company in Bombay – investments in thermal and hydro-electric plants have been made almost entirely by the central and state governments in the last four decades.

Mr V.P. Singh, India's Prime Minister, has recently spoken of a larger role for the private sector in improving infrastructure facilities and has identified electricity generation and road building as two of the main areas which private companies will be encouraged to enter.

India suffers a nationwide shortage of electricity, mainly because of the inefficient functioning of government-owned thermal stations. Power shortages, which seriously impede industrial and agricultural production, vary from 27 per cent in the north to 8 per cent in the west.

The government plans legislation to enable private companies to sell and distribute electricity to state electricity boards.

In addition to new companies, existing privately-owned units are to be encouraged to expand their generation capacity. Incentives for private companies include an increase in the prescribed rate of return from the existing 12 per cent to 15 per cent, permission for large industrial houses to seek licenses for setting up power generation plants and access to funds for building the plants.

Mr Khan announced that the government had already approved policies to promote investment by the private sector in power generation. Legislation to enable private companies to sell and distribute electricity to state boards would be enacted within a few months.

Anton Harber, editor-in-chief of The Daily Mail, South Africa's latest daily, celebrates its first issue yesterday, Philip Gawith writes from Johannesburg. But it was a celebration tinged with sadness at the memory of its predecessor, the Rand *Daily Mail (RDM)*, which closed in *1985*.

Although editors have resisted labeling the paper as the rebirth of the RDM, others were less inhibited. Mr Arthur Chaskalson, a respected human rights lawyer, said "It is an important event in the life of our country because it marks the rebirth of the Rand Daily Mail."

The Daily Mail is a daily version of the Weekly Mail, started in 1985 by ex-RDM staffers with capital of just R50,000 (£11,000) and a full-time staff of four. Despite scepticism over its prospects, and harassment from the state, the WM flourished reaching a circulation of 30,000.

● *President F.W. de Klerk* yesterday invited labour leaders to meet him after they had threatened to call nationwide strikes to protest against a delay in repealing a tough labour law, Reuter writes from Cape Town.

The million-strong Cosatu trade union federation has announced a national strike for July 2. It wants the government to intervene to end attacks on union supporters by the conservative, Zulu-based Inkatha movement in Natal province.

Mr De Klerk, after a lengthy cabinet session, invited Cosatu leaders to meet him and Mr Eli Louw, the Manpower Minister, in *Pretoria* next Tuesday.

The black unions had agreed in May with the main employers' body to submit joint proposals on the laws, which restrict the right to strike, to the government. Both sides were surprised when Mr Louw said last week that the legislation would not be immediately repealed, because some companies had objected.

Iraqi Kurds executed says Amnesty

By Victor Mallet

AMNESTY International is urging Turkey to stop forcing Iraqi Kurds to return home, as hundreds of refugees who have taken advantage of official Iraqi amnesties appear to have been tortured or killed.

The London-based human rights group says in a study* released today: "Reports suggest that in the past 18 months hundreds of Iraqi Kurds, as well as Assyrians, Arabs and Turkomans, who sought to benefit from official amnesties have since 'disappeared' in custody, were tortured or executed."

More than 55,000 Iraqi Kurds fled to Turkey in August and September 1988 to escape conventional and chemical attacks on civilian targets. Amnesty says it is concerned about some 27,500 Kurds still in refugee camps in south-east Turkey.

According to reports received by the human rights group, the Turkish authorities 'appear to have tried to force out Kurds by ill-treating them, reducing food and water supplies and allowing delegations of Iraqi officials to visit their camps.

Iraq has granted five amnesties to exiles in the past two years, but the report casts doubt on their validity.

In June Amnesty received a report that 30 Turkomans had been executed in January – including four who returned from Turkey under the Iraqi amnesty arrangements.

Last year a member of the banned Kurdistan Socialist Party-Iraq testified that he had been detained and beaten after taking advantage of an amnesty to surrender to the authorities.

● The Kurdish Democratic Party of Iran claimed yesterday that its guerrillas had killed 45 Iranian troops and Revolutionary Guards in Iran's northern mountainous region, AP reports from Baghdad.

**Iraqi Kurds: At risk of forcible repatriation from Turkey and human rights violations in Iraq. Amnesty International, 1 Easton St, London WC1X 8DJ.*

France eases debt burden for Africans

By George Graham in La Baule

PRESIDENT François Mitterrand yesterday announced two new debt relief measures for African countries at the Franco-African summit meeting in La Baule.

Four French-speaking middle income countries which have not benefited from previous debt cancellation measures will receive concessionary terms on their outstanding development loans from France, reducing their debt service by around FFr250m (£26m) a year.

The four countries – Cameroon, Ivory Coast, Congo and Gabon – owe a total of FFr12bn to France's Caisse Centrale de Co-opération Economique, at an average interest rate of around 10 per cent. The interest rate will be cut on all these loans to 5 per cent.

The measure, however, failed to meet some expectations. Since the four countries in question last year serviced only around a fifth of these debts, Mr Mitterrand's announcement is as much a recognition of reality as a real concession.

At the same time, Mr Mitterrand announced that future French aid to African countries with national income of less than $500 a head would come in the form of outright grants. French structural adjustment loans, which this year will amount to around FFr1.2bn, will in future all come as grants, as will most project finance, which this year will total FFr2.1bn. Commercial sector projects with adequate profitability may still receive commercial loans.

Mr Mitterand also urged the summit that African nations should create one or several common markets to provide wider outlets for their products.

"Shouldn't you be seeking to unify your markets? Shouldn't you be seeking to harmonise your tax, legal and customs rules," he asked.

Mr Mitterrand singled out the French franc zone as a an area of stability in Africa, and categorically ruled out any devaluation of the CFA franc.

France presses for talks agreement in Lebanon

By Lara Marlowe in Beirut

MR François Scheer, director-general of the French foreign ministry, held talks yesterday with Gen Michel Aoun, Christian military leader, Mr Samir Geagea, Phalangist militia leader, and Maronite patriarch Nasrallah Sfeir.

In a departure from previous French policy, Mr Scheer is said to be seeking unconditional acceptance by Gen Aoun of the October 1989 Taif accord on Lebanon and the presidency of Elias Hrawi. Mr Scheer's visit to Beirut immediately follows a failed peace initiative by the Vatican.

The four-and-a-half month conflict between Gen Aoun and the Christian militia has left more than 1,000 Lebanese Christians dead and nearly 3,000 wounded.

Monsignor Pablo Puente, papal nuncio in *Lebanon*, succeeded in getting a ceasefire in the inter-Christian war on May 26, but violations have been frequent. In two days, at least six people have been killed in the Christian enclave.

In March, Mr René Ala, French ambassador to Lebanon, proposed a plan whereby Gen Aoun would have left the presidential palace at Baabda, repealed his "dissolution" of the Lebanese parliament of November 4 and joined President Hrawi's government. The new, enlarged government would then have "re-examined" the Taif peace accords.

Monsignor Puente recently attempted to gain acceptance of proposals similar to Mr Ala's. But President Hrawi and Mr Selim el-Hoss, the Prime Minister, rejected the Vatican plan because the Taif accords could not be "revised".

It was found difficult to see how Gen Aoun, who has for long heaped abuse and artillery shells on his enemies, could sit with them in cabinet as deputy prime minister.

Mr Scheer met Mr Hrawi, Mr *Hoss and Gen Emile Lahoud*, commander-in-chief of the Lebanese armed forces, before yesterday's meetings with the leaders of the Christian enclave. The French official is expected to go to Damascus to consult Syrian officials before returning to Beirut.

Israel's foreign policy outline unlikely to placate any of its critics

By Hugh Carnegy in Jerusalem

ISRAEL'S new right-wing government, after 10 days in office marked by harsh words from friends in the West and belligerent statements from Arab enemies, has outlined a foreign policy which is unlikely to soothe any of its critics.

Ministers have emphasised the need for peace between Israel and the wider Arab world to accompany any moves towards a settlement in the occupied territories, whereas Arab states and most western countries insist that the priority is to resolve Palestinian grievances.

Arab leaders believe – and Washington strongly suspects – that the Israeli approach is simply a ploy to avoid dealing seriously with the Palestinian issue.

A decision by the Bush administration to suspend the US dialogue with the Palestine Liberation Organisation – expected to be announced shortly because of last month's abortive seaborne attack on Israel by PLO-affiliated gunmen – would be a welcome break for Mr Yitzhak Shamir, the Prime Minister.

He flatly rejects any negotiating role for the PLO and has been bombarded with international criticism since his government won a vote of confidence in the Knesset.

Most striking was the blast from Mr James Baker, the US Secretary of State, who said: "When you are serious about peace, call us." This was followed by distinctly cool remarks from President Bush. Senior European Community officials have expressed grave concern about the new government, Syria has dubbed it a "war cabinet" and President Saddam Hussein of Iraq has repeated his threat to attack Israel should any Arab state come under Israeli attack.

The new government's response has not been helped by the heart attack suffered last week by Mr David Levy, the Foreign Minister, who is recovering in hospital. This left the combative figure of Mr Shamir as the chief articulator of the coalition's policy.

He invited President Hafez al-Assad of Syria to come to Israel to talk peace. He and senior officials have seized on hostile Arab statements to back their contention that no plan for the Palestinians can proceed without parallel peace moves from the Arab states.

They point out that this was always part of the 1989 Israeli peace plan, upon which US founded its now stalled attempt to promote talks between Israelis and Palestinians. "We emphasise this not because of arbitrary considerations but because we really believe that if there is goodwill from the Arab states, it will be helpful for solving the problems of the Palestinians," says Mr Yossi Achimeir, Mr Shamir's private office chief.

Mr Achimeir said the government would try to persuade Washington from its insistence on picking up where the process left off in March. Then the coalition between Mr Shamir's Likud and Labour collapsed over Likud's refusal to respond positively to questions from Mr Baker on the composition of the Palestinian delegation. Likud said they presaged backdoor involvement of the PLO.

Kuwaiti oil minister moves

KUWAIT'S oil minister was shifted to the finance ministry, Kuna, the official news agency, said yesterday, Reuter writes from Kuwait. Sheikh Ali Khalifa al-Sabah, an advocate of moderate oil prices, was replaced by Mr Rashid Salim al-Ameeri, a professor of chemical engineering little known in world oil circles.

Other members of the ruling al-Sabah family retained the foreign, interior and defence portfolios, according to Kuna.

Sheikh Ali, 44, was oil ministry for 12 years that marked the most turbulent period in the history of the Organisation of Petroleum Exporting Countries. He replaces an old rival, Mr Jassim Mohammed al-Khorafi, who as *finance minister had often* criticised what he termed Sheikh Ali's monopoly of Kuwait's oil industry.

It was not clear if Sheikh Ali would keep his job as chairman of Kuwait's Petroleum Corporation, a conglomerate he had built with a marketing network in Europe and elsewhere.

A friend of Sheikh Ahmed Zaki Yamani, the former Saudi Arabian Oil Minister, he wanted oil prices to stay low to encourage demand for Opec products.

UK NEWS

Extracts from the Chancellor of the Exchequer's speech given in London

Major's plan for monetary union

"WHAT we decide about economic and monetary union should be determined by our view about the kind of Europe we want to see. Our vision is of an open Europe: open to trade and investment; open too to new members from Europe, East and West . . . We should develop a form of EMU that permits them to join us and does not put up barriers against it.

The key is to build on Stage 1 further steps to promote convergence of economic performance, low inflation and stable exchange rates. And to do so by building up our infant common currency – the Ecu.

A first practical step towards this might be to encourage the use of the existing Ecu by issuing Ecu bank notes for general circulation in the Community. This would require a new institution which I shall call the European Monetary Fund. The fund, acting as a currency board, would provide Ecus on demand in exchange for Community currencies. This can be *done in such a way as to avoid* increasing the Community's total supply of money. To ensure this, we would insist that the fund could only issue Ecu notes that were fully backed by its own holdings of the various currencies which make up the Ecu. So there would be no new money creation, and no threat to inflation. Interest rates on Ecu deposits and loans would be determined, as now, by the weighted average of interest rates on the Ecu's constituent currencies and so the fund would play no role in setting interest rates.

Ecu bank notes could provide a natural currency for tourists and business travellers. The idea could catch the popular imagination; and as notes came to be used more frequently it could help the development of largescale markets *in Ecu deposits.*

But these are modest steps, and I think we could and should go further. In my view, the best approach is the creation of a new "hard Ecu." Under this approach the Ecu would no longer be defined as a basket of currencies but would become a genuine currency in its own right – a new and international currency – which would never devalue against other Community currencies.

Under our approach, the European Monetary Fund which I have suggested would manage the hard ecu to ensure that, in the ERM, it stayed within its margins, and that at realignments it was never devalued. The EMF would *issue ecu deposits* or notes in exchange for national currencies. It would set interest rates on hard ecu. Initially, it would do this by setting rates on the interest bearing deposits it took, probably largely from commercial banks. Later on, as the private hard *ecu market* developed and commercial banks built up hard ecu deposits taken from the public, the EMF could move to setting interest rates by the normal central banking techniques.

A traditional criticism that has been made of certain parallel currency proposals is that they could raise inflationary dangers. I share that concern. But a crucial element of the scheme I propose - indeed, my very reason for advocating it, is that effective safeguards could be built in to prevent this. So a key feature of the proposal is that there would be an obligation placed on all member states' central Banks to repurchase *their own* currencies from the EMF for hard currencies.

The Chancellor

It will be noted that both these ideas for developing the ecu envisage the development of a new institution. We are not opposed to new institutions where there are new jobs that genuinely need to be done. And that is certainly the case here. For not only would we be looking at the job of managing the ecu; there are other important roles such an institution might usefully take on. These might include the tasks involved in managing the ERM, and its financing facilities, including the functions of the central Bank Governors Committee and the existing European Monetary Cooperation Fund (EMCF) in this area. It might also take on the essential task of coordinating member states' intervention against external currencies: in particular, the dollar and yen. By the end of Stage 1, all Community currencies will be members of the ERM and will share a common interest in the value of their currencies against the dollar and the yen. This coordination would not involve member states giving up part of their foreign currency reserves. Instead, intervention would be coordinated through the EMF, which would draw and repay tranches of dollars, yen and national currencies, as necessary, from member states. Market operations, as now, would be carried out by individual national central banks.

All these are key functions that will be vitally necessary in the world beyond *Stage 1. It* makes practical sense to have a new institution - an EMF - to carry them out.

(The proposals) will be controversial to some. But they are practical. They are progressive. They *offer* choice not prescription. But they evolve naturally from stage 1 and have the potential to evolve further. In time the ecu would be more widely used: it would become a common currency for Europe. In the very long term, if peoples and governments so choose, it could develop into a single currency."

Defence chief's warning over job losses

By David White, *Defence Correspondent*

SIR PETER LEVENE, the Ministry of Defence's procurement chief, warned yesterday that reduced defence spending could lead to factory closures and redundancies. He said, however, that it would be "very foolish" for the Government to try to keep poorly performing companies in business.

"We must resist any pressure to award contracts to those who do not present the best value for money," he told a conference at the Royal United Services Institute for Defence Studies.

His remarks came after a senior investment banker warned that investors might be "leaping to over-radical conclusions" following Monday's announcement of a £600m cut in defence spending and called on the Government to make its intentions clear.

Sir Peter predicted that reduced equipment expenditure throughout Europe and the US would force more cross-border mergers between arms manufacturers and persuade more companies to leave the defence business.

He said Nato governments should buy more equipment off the shelf from each other's industries, because individual national markets would be too small to maintain efficient production.

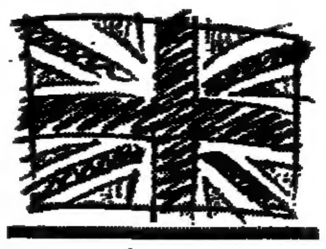
He emphasised the need for a wide supplier base in order to foster competition, and said reliability would in future rank "on a par with performance" in assessing rival bids.

Earlier, Sir Robert Wade-Gery, an executive director of Barclays de Zoete Wedd, urged the Government "to dispel some of the wilder ideas that are beginning to circulate" about future equipment cuts.

Sir Robert, a former senior security adviser to Mrs Margaret Thatcher, the Prime Minister, warned that this could leave too little industrial capacity to meet strategic needs.

Disaffection by investors could hamper companies' efforts to diversify into non-military sectors, their technology programmes and their chances in export markets.

BRITAIN IN BRIEF



Ford memo reveals strategy

Ford is seeking to accelerate the drive to improve quality at its Dagenham, Essex car assembly plant in order to close the gap between the UK operation and Ford's continental European plants.

In a recent internal company memorandum to senior managers at the plant, written after discussions with Mr Harold Poling, Ford's US chairman and chief executive, Ford has repeated earlier warnings that "the survival of this plant depends totally upon achieving improved quality, reliability of supply and productivity."

The Dagenham car assembly plant – as distinct from the much more successful Dagenham engine plant – has long lagged behind other Ford assembly operations in Europe.

Its production performance has improved significantly this year, however, and since January it has consistently met its output schedules for the first time in many years.

Ford began a radical programme last year to improve Dagenham's productivity and quality performance with the decision to move all production of the Sierra upper medium car range from the plant to its Genk, Belgium assembly plant, in order to reduce the complexity of the Dagenham production operation.

Money supply still rising

Rising inflation and buoyant high-street spending are causing excessive growth in the money supply despite high interest rates, official figures indicated.

The Bank of England said that M0, the narrow measure of money consisting mainly of cash in ciruclation, grew at an annual, seasonally-adjusted rate of 6.9 per cent in May.

The provisional figures show that money supply is still failing to dip within the Treasury's target range band of 1-5 per cent.

BP cuts price of petrol

British Petroleum is cutting the price of a gallon of petrol by 3.6p from midnight tonight. The fall in prices is a delayed response to the steep decline in international crude oil prices, caused by oversupply amidst a high level of production from the Middle East.

Plan for pollution agency

Proposals to remove the troubled Pollution Inspectorate from Government control, turning it into an independent Civil Service agency are to be included in the policy document paper on the environment to be published in September. The Department of the Environment is considering the possibility of an eventual merger between the inspectorate and the National Rivers Authority, the pollution watchdog for the water industry. Such a merger would create a powerful body which could evolve into soemthing similar to the US Environmental Protection Agency.

Unit trusts show recovery

Unit trust investment showed a partial recovery last month from the gloomy figures of the previous two months, with net investment in May of £191.8m.

This compares with net investment of only £15.6m in April and disinvestment of £18.6m in March.

Sky takes initiative

Sky television, the satellite broadcasting industry, has called for an all-industry meeting to solve the increasingly acrimonious row over news access to exclusive sporting events.

News access is the practice of allowing competing broadcasting up to two minutes coverage of a sports event for use in news bulletins.

Beef exports still down

Britain's beef exports are still running at only half their anticipated level and overall sales are still down 20 per cent because of anxiety about "mad cow" disease, MPs were told.

But the Meat and Livestock Commission, which represents the red meat industry, said there had been some recovery after the 25 per cent drop in May when concern over the disease was at its height.

Sir Simon Gourlay, president of the National Farmers Union of England and Wales, said he feared the emergence of a two tier market as farmers specified whether their herds were infected with BSE.

Mr Gourlay was giving evidence to the Commons Select Committee for Agriculture's all-day hearing at Westminster on the outbreak within Britain of *Bovine Spongiform* Encephalopathy (BSE), or "mad cow disease".

Illness delays Guinness trial

There was no *sitting in the* Guinness trial yesterday because of Mr Ernest Saunders' need for further medical attention. He was suffering from sinus and hearing problems and was examined at Guy's Hospital. The trial is expected to continue today.

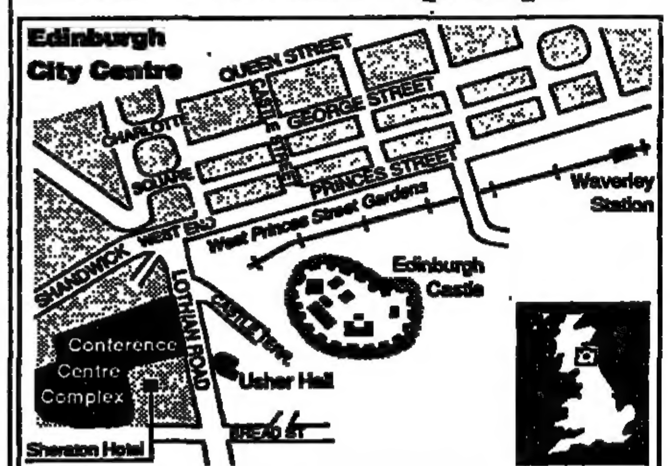
Arrest in £292m mugging

A further arrest was made yesterday in connection with the £292m City mugging last month, in which a messenger carrying securities was robbed at knifepoint. City of London Police said a man was arrested during the afternoon in a vehicle in Park Lane.

The man, who was not named and who will appear at Guildhall magistrates' court tomorrow morning, was found in possession of one of the stolen bearer securities, police said.

Other arrests in connection with the robbery have been *made in Cyprus, where a man* was arrested after attempting to cash some of the securities.

Threat to Scottish capital plan



The fate of a large property development scheme in the centre of Edinburgh appeared uncertain yesterday amid speculation that Greycoat, one of the two partners in the project, was poised to pull out. The scheme, to build nearly 1m square feet of offices and a 1,200-seat conference centre on a six-acre site off Lothian Road, has been under discussion for several years. Greycoat, a London-based property company, is in a consortium named Edinburgh Development Group with Sheraton Securities, another property company, whose shares were suspended on April 20 as a result of a liquidity crisis.

EC drugs agency plan attacked as potential disaster

By Peter Marsh

PROPOSALS for harmonising European Community regulations for new medicines after 1992 have been severely criticised by Dr John Griffin, director of the Association of the British Pharmaceutical Industry and a former senior official at the Department of Health.

Dr Griffin said that proposals from the European Commission for approving new products were "a recipe for disaster."

The commission's ideas are to be published formally early next year and take effect from 1993. They centre on the establishment of a new European Medicines Agency which would work in collaboration with national governments.

Comments by Dr Griffin, who was a senior official on medicines regulation at the Department of Health until he joined the ABPI in 1984, will fuel the debate about the effects of the commission's proposals on western Europe's £25bn-a-year medicines industry.

The ABPI is the main trade association for the British drugs business.

Dr Griffin's main point – that the new medicines agency will not have enough resources to work effectively – fits in with a more muted criticism of the commission's ideas from some leading officials at the department.

Generally, the British Government has taken a positive line on the proposals, arguing that greater centralisation of licensing was needed.

However, some civil servants are worried that the new agency may not have enough scientifically qualified staff for its decisions to be respected throughout the EC.

This argument has yet to emerge publicly from the Government. It runs against Mrs Thatcher's well-known dislike of new bureaucracies, especially European ones.

Licensing of new drugs in the EC at the moment is commonly viewed as inefficient. Many new products have to be reviewed separately by the national drugs-approval bodies of the community's 12 members.

Drugs registration is a vital part of the medicines industry, which is subject to complicated government rules aimed to ensure that new products are safe and cure people.

After 1992, the commission wants to institute an element of centralised approval by a new agency. This would have responsibility for certain new products based on entirely novel chemicals.

The basis would be that after one country had approved a product, all the others would abide by this decision, following the principle of mutual recognition.

The new medicines agency body would arbitrate in the event of disagreement.

The commission's proposals follow on existing EC schemes based around a Brussels-based committee of civil servants which recommends on approval of some new drugs.

Under the new ideas, the committee would remain in force and be backed up by the new medicines agency with a staff of about 150. The committee's decisions, now advisory, would be binding.

Dr Griffin said his main objection was that the new agency would not have enough resources to take informed decisions.

The issue that threatens Thatcher's grip on power

Richard Evans looks at the story of Britain's controversial per capita local tax on public services

THERE ARE few issues that can provoke a full scale riot in Britain, and local government finance is a very unlikely candidate. Yet the extraordinary unpopularity of the Government's community charge, or poll tax as it is usually known, has achieved it.

The sheer scale of the opposition to the tax has taken most people, including politicians, by surprise, although the prospect of profound unpopularity was always there. Any reform of local taxation is bound to spawn difficulties, if only because winners and losers are created and the losers complain.

Nevertheless, the rioting in the spring in London's West End, the disturbances in many other towns, the resignation of Conservative members of local councils, and the slump in the Government's standing in opinion polls have all underlined the acute problems the poll tax has brought Mrs Thatcher. It could yet be the issue on which she loses her grip on 10 Downing Street.

The history of the poll tax showed that the replacement of domestic rates, which were based on the notional rental value of a property, was never going to be easy.

Rates had big advantages as a method of taxation. They were easy and cheap to collect and difficult to evade. They also had a crude fairness in that people living in more expensive property in better neighbourhoods paid more than those living in run-down, neglected housing.

There were also major drawbacks to rates, though. Too few shoulders carried the increasing burden of paying for local government services, too many anomalies and distortions had been built into the system, and too many people were protected by extensive rebates and subsidies from the true impact of the local spending decisions for which they voted.

Riot police face demonstrators in Trafalgar Square in March: Mrs Thatcher sticks to the principle.

So Mrs Thatcher launched what became an obsessive quest for a fairer alternative to the rates. The search began 16 years ago, in 1974, when the Conservatives said they would abolish the unpopular rating system once and for all. The genie was out of the bottle, but finding an alternative proved to be fraught with problems.

The poll tax formula was specifically rejected in a Government policy document in 1981, and as late as 1983 a policy document on rates reform argued that such a tax would be hard to enforce, expensive to run and over-complicated.

The warnings were there in plenty, but the search continued. Matters came to a head in 1985 when Scottish Conservatives warned the Prime Minister that there was an impending political disaster if no alternative to rates could be found in the wake of a recent property revaluation that had sent rates soaring.

By January, 1986, partly because all other alternatives such as local income tax had been rejected, the poll tax, given a change of clothes as the community charge, had become Conservative Party policy. By 1987 it was installed in the party's general election manifesto and hailed as the flagship policy of Mrs Thatcher's third term.

With a Conservative majority in the 1987 election of around 100 in the House of Commons, there was little doubt about its passage through Parliament, although continuing doubts were expressed by many MPs.

The initial attraction of the poll tax in place of the discredited rates was that although it was brutal, it was simple: everyone in a local government area received the same bill per adult head: at least in theory. The argument went that everyone would have to pay something towards local services and people would know what they were paying for. In addition, profligate Labour councils would be turfed out by appalled electors and prudent Conservative ones would receive their just reward through the ballot box.

It did not work out quite like that, however. When local authorities had estimated the amount needed from the poll tax to meet their budgets, it turned out to be an average of £365 for each community charge payer in England and Wales, rather than the Government's estimate of £278.

This meant greatly increased local tax bills not just for those drawn into the system for the first time, but for the majority. A rough but telling estimate is that 25m people lose from the introduction of the poll tax and only 10m gain. Hence the scale of the protests.

Moreover, the gainers have tended to be the better off with small families who used to pay high rates, and the losers larger families in poorer homes. It is basically a regressive tax because it takes no account of people's ability to pay.

The other difficulty has been the transformation of an essentially simple, flat-rate tax aimed at virtually every adult, into a confusing morass of rebates and exemptions for the less well off, and transitional "safety net" provisions to help the worst hit local councils. There has been a shoal of concessions as pressure against the tax has built up, leading to general confusion and uncertainty.

A further issue that has led to furious in-fighting between the Government and local councils has been the method used to assess local spending, and thus the total required to be raised from the poll tax. In all, a quarter of local spending is paid for by the poll tax, with the remainder coming from central government grant and from the restructured uniform business rate.

The Government has insisted that its local spending assessments are fair and accurate, but councils argue they are having to struggle with higher than expected inflation, pay awards outside their control, high interest rates, labour shortages, and the additional burdens of education reforms and extended social services. The gap this year between their spending needs and the provision from central government has been unusually large.

Ministers are resigned to continuing deep unpopularity over the poll tax this year, but they hope to recover lost ground next year. There were signs in the local elections last month, particularly in the key Conservative-held London boroughs of Wandsworth and Westminster, that a low poll tax can be an electoral attraction, and Mrs Thatcher is now more determined than ever to stick with the principle of the tax.

But there will be a lot more trouble ahead. Thousands have threatened not to pay the tax, and there are signs that courts will be overwhelmed from now on for many months as local councils begin the tricky task of trying to prise the money out of the protestors by legal action. There are also likely to be emotional scenes of defiance as the bailiffs move in to take goods and as pressure is put on employers to withhold a proportion of wages in lieu of the poll tax.

A high-powered Government committee is studying ways of changing the tax to make it politically more palatable, and there is pressure for at least £3bn extra to be diverted into town hall coffers next year to ensure that poll tax levels are kept down. The outcome of the next election could depend on the reforms.

Bureaucracy in UK immigration criticised

By Alan Pike, Social Affairs Correspondent

POOR service from the Home Office Immigration and Nationality Department created "understandable suspicion" that bureaucracy tape was being used as an instrument of immigration control, the Commons Home Affairs Committee said yesterday.

In a report the committee critisised what is described as inexcusable inefficiency in the department. It said that the present average wait of 27 months for naturalisation applications to be processed was indefensible.

"The effectiveness and fairness with which the Immigration and Nationality Department performs its work affects both the maintenance of good race relations within the United Kingdom and Britain's standing in the world."

Applicants for British citizenship, said the committee, should be given completion dates for their cases.

It called for the lifting of a freeze on staff recruitment in the department, improved training and the use of experienced retired staff to help improve service.

Higher priority, said the report, should be given to computerisation in the Lord Chancellor's Department – responsible for immigration appeals – and efforts should be made to reduce the waiting time for cases going to the Immigration Appeal Tribunal to four months. It is currently between seven months and a year.

Mr David Waddington, Home Secretary, said his department would give the report detailed consideration "with the aim of reducing the delays it mentions as far as we can."

The Home Office says that delays in citizenship applications result from a large influx in cases at the end of 1987, when the entitlement of some Commonwealth citizens to register was ended.

This led to a large increase in the number of people applying for naturalisation, although the deadline did not apply in their cases.

BA invests £70m in Cardiff base for aircraft

By Paul Betts, Aerospace Correspondent

BRITISH Airways is to invest £70m in a new aircraft maintenance base at Cardiff airport creating 1200 skilled engineering jobs in South Wales.

Lord King, the BA chairman, confirmed yesterday the airline's decision to build the new facility at Cardiff which will become the airline's engineering maintenance base for its fleet of Boeing 747 jumbo jets.

The scheme is a considerable boost for South Wales which suffered wide scale redundancies in engineering during the early 1980s. The new BA investment has been compared in importance for the Welsh economy to the decision of Bosch, the West German car components group, to establish its first UK manufacturing base in Wales last year.

Mr John Smith, the Labour MP for the Vale of Glamorgan, said the BA announcement was "the best news this area has had in ten years."

Mr David Hunt, the Welsh Secretary, also welcomed the investment as a confirmation that Wales was an attractive area for modern industry. "New projects are now filling in the gaps left by the run-down of our traditional industries of coal and steel," he said.

The BA investment will include the construction of a huge hangar to house up to four Boeing 747s on a 75-acre site.

The airline has been looking for some time at a number of possible sites in the UK and abroad to establish new engineering maintenance bases.

Cardiff's main rival was Liverpool's Speke airport, although BA has also been looking at Singapore as a possible long term maintenance base. Lord King said yesterday one of the major reasons for the choice of Cardiff was BA's 50 year old links with the area.

BA already employs about 1000 people at its engine overhaul facility at Nantgarw, near Cardiff, which was recently extended at a cost of £40m.

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TECHNOLOGY

David Fishlock visits a society that brings together British academics and industrial companies

An invention to break the ice

An international club of science-based companies has been founded in Oxford to keep industry abreast of innovation at the university.

The Oxford Innovation Society was formed by Isis Innovation, the university's own technology transfer company. The society includes such names as BOC, Cookson, IBM, ICI, Monsanto, Oxford Instruments and Sharp. Top research managers from the member companies will be briefed regularly by professors on the latest news from the university, which estimates that it is spending £21m a year in Government-funded research grants alone.

The society offers member companies a window into Oxford's innovation, as well as a chance to talk informally to professors about their ideas and industry's needs. "And it will help them with their recruitment," says James Hiddleston, managing director of Isis. "It's the personal contact that makes things happen."

In an inaugural address to the club, David Cooksey, a former Oxford metallurgist and founder of Advent Management, one of the venture capital companies backing Isis, urged British companies and academics to establish closer working relationships – as US industry and academe had done so successfully, he found.

Professors also need to establish better relationships, says Hiddleston. His biggest venture, Oxford Molecular, has been forged from three Oxford research groups which, although aware of each other's work, were not discussing it with each other until Isis helped to develop one professor's idea for a commercial company.

Isis, less than two years old, was spawned by the Government's decision to free universities from the British Technology Group's monopoly on Government-funded invention. It has applied for about 30 university patents and has been granted four so far.

The inventor receives the first £26,000 of any revenue, and further earnings are shared with Isis under a programme which offers "a better deal than anyone's got from BTG," Hiddleston claims. If a company is formed, the inventors are offered equity. "My job is to network the university and pick up their inventions."

For biologists studying insect behaviour in the Department of Zoology, Isis polished the patent on an invention for arresting woodworm. It located university chemists clever enough to synthesise a complex compound and alerted industry, which beat a path to the new "mousetrap".

Peter White, a zoology lecturer, and his colleagues have isolated the substance released by the female beetle to lure the male once it has eaten its way out of the timber in which it will have spent years gestating.

Field trials in a Hampshire church confirmed that their technique works. Now White is assisting Rentokil, the pest control company, with trials for a product he hopes will be ready to market next year.

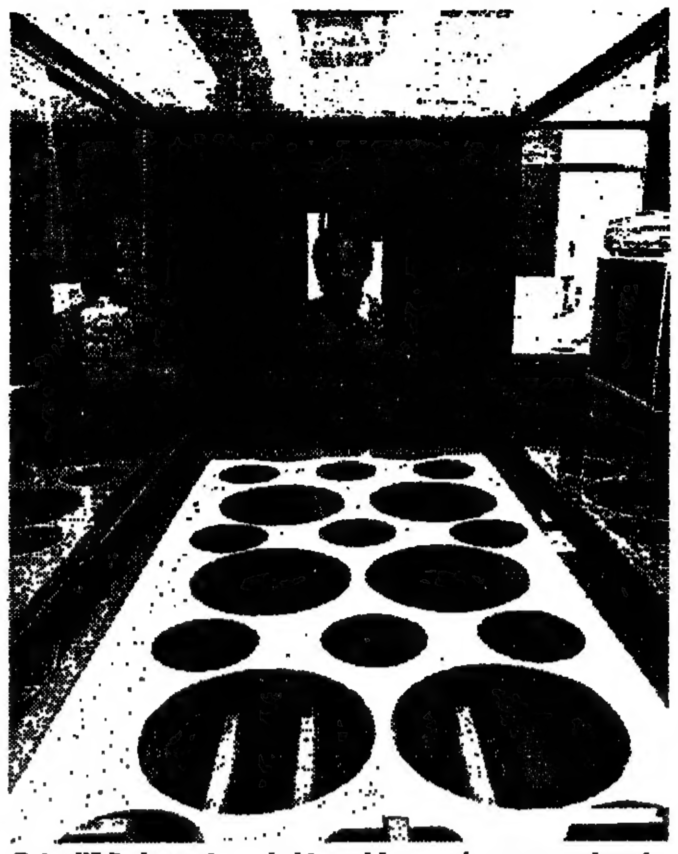
It will be a "green product" in which the substance is "printed" on a sticky card, like a flypaper, that will lure and trap the beetle before it can breed. Hiddleston says he is seeking at least a 10 per cent royalty for his inventors, for a product he predicts "is not going to be price-sensitive."

Could they discover a similar technique for the death-watch beetle? White admits that so far they have been unsuccessful because the insect seems to signal its presence by tapping and not by chemical messages.

Control of dry rot is the speciality of Sarah Watkinson, a lecturer in mycology in the Department of Plant Science. She has discovered an amino acid which the fungus treats as food, although it has no nutritive value. It acts like junk food, she explains, and can stop the rot spreading even where it is is hard to get at the infestation.

Watkinson has a "doll's house" of glass in her laboratory, simulating a badly ventilated house, in which she can demonstrate that the fungus prefers her non-toxic junk food to its normal diet, and then dies of malnutrition.

BTG patented her control system in the early-1980s "but didn't do anything with it," she says. The patent has been reassigned to Isis and has generated much commercial interest. She has an equity stake in a joint venture between Isis and a firm of architects, which is currently conducting a field trial on a house. "If it works we hope we'll have something to market."



Peter White inspects a wind tunnel for woodworm experiments

From the Department of Dermatology in the Slade Hospital, Oxford, Isis has discovered a way of measuring deep-body temperature that avoids inserting anything into babies. This "unbreakable" thermometer, little bigger than a coin, is based on an understanding of the relationship between skin and deep-body temperatures and how this can change, for example during a fever.

Eric Lamont Gregory, a US physicist, has already secured his advance on royalties through Isis, for an initial product based on liquid crystal display of temperature in words as well as figures. The neonatal thermometer is expected to be available soon through the Co-op and other large retail chains, priced at less than £5. A second, electronic version is being evaluated for use in incubators.

Oxford Molecular is Isis's proudest achievement. Not only is the company up and running but it has broken new ground inasmuch as it is set up on the science campus adjoining the Department of Organic Chemistry – something never previously permitted in Oxford, the professors say.

Oxford Molecular compiles computer programs that can generate vivid three-dimensional images of molecular structure. Its founders include Graham Richards, an Oxford lecturer, and Tony Marchington, formerly of Oxford, who introduced ICI to molecular graphics. They first had the idea a decade ago but at the time there was no organisation such as Isis to help them, Richards says.

The scientific market they are pursuing is valued at £40m and is expected to grow to £130m by 1995. According to Richards, one aim is to exploit the excellent software being written by graduate students, which previously has been filed away at the back of their theses. He wooed Marchington from ICI in 1988 to be Oxford Molecular's managing director. They now have five products, 30 confirmed sales, and development contracts with such companies as British Bio-Technology, Glaxo and Hewlett-Packard. The company is equipped with about £1m worth of computers and has another 26 programs in development, scheduled for launch before the end of next year.

Other Oxford research still seeking sponsors includes two ideas in electronics, an industry which Hiddleston finds sufficiently troubled in Britain to doubt whether the domestic market will serve his ends. John Foord of the inorganic chemistry laboratory has been funded by British Telecom to show how purer films of semiconducting compounds can be made by chemical beam epitaxy, free from the minuscule carbon inclusions that cause dislocations in the crystals and flaws in the chips. Carbon comes from the chemicals used as feedstock for the process. Foord and his colleagues have designed new chemicals, free from carbon, as feedstocks for making microchips of gallium arsenide and other compound semiconductors.

Optically scanned imaging radar is the invention of David Edwards of the Department of Engineering Sciences, who says its attraction is that it breaks no new ground technologically, but is a new combination of existing techniques. He believes it should take industry no more than six months to turn his laboratory demonstration into a demonstrator product.

Edwards has assigned his radar to Isis. For this invention Hiddleston is planning an industrial "auction". His aim is to negotiate three things for Edwards: a licence agreement, a short-term development contract to back up his research grant from the Science and Engineering Research Council, and a consultancy with the sponsoring company.

Components join up in the welding forces

Linear friction welding, which allows flat pieces of metal to be joined by rubbing and pressing them together mechanically, promises to simplify industrial joining processes.

The technique offers new methods of designing and manufacturing components, including using linear welding in place of complicated mechanical attachments. Because linear friction welding requires no consumable items, such as filler wires, flux or gas and produces no fumes, it is more environmentally acceptable and easier to handle than conventional arc welding.

It works by using friction to create the heat necessary for a perfect metallic bond at the interface between the metal, and welds the two pieces without melting them. A domestic analogy would be rubbing two blocks of butter together until they fuse.

Linear friction can be used to weld some of the toughest metals, including titanium. It can weld dissimilar metals, such as copper to aluminium, and stainless steel to aluminium, according to the UK-based Welding Institute. The organisation is the UK centre for materials joining technology and is supported by 2,000 industrial companies and 4,500 individuals worldwide.

The institute is also part of a consortium responsible for the development and production of the linear friction welding machine. The machine was built by Blacks Equipment of Doncaster and was commissioned by the institute.

Forge welding, the historic predecessor to linear friction welding, was at the heart of the industrial revolution 200 years ago. Metal was welded to metal by heating and hitting two metal parts together.

The new technique uses the same principles, on a much finer, more controllable scale. It is suitable for welding small, mass production components and can be automated to join flat, square or other cross sections of metals or plastics.

Previous friction welding processes for joining metals have been limited to orbital or rotational welding, where cylindrical or round metal components are rotated, brought into contact, heated and welded together. In rotational friction welding, two cylindrical components are each rotated swiftly to make the joint, a process unsuited to flat, linear components.

The cylindrical rods and flat tops of the valves on internal combustion engines are typical of the engineering products that could be joined using rotational friction welding.

The principles of linear friction welding were devised in the 1960s, when Caterpillar Tractor filed a British Patent in 1969, describing a reciprocating linear mechanism for welding.

Allwood, Searle and Timney, development and design engineers of Walsall, also hold several patents on mechanisms for performing linear and orbital motions in welding. The patents follow work in the 1960s by Jack Searle, a founder partner of the company, which made the mechanisms suitable for commercial production processes.

Because linear friction welding produces no fumes, it is more environmentally acceptable than conventional arc welding

The company is also a member of the consortium formed in 1985 with the Department of Trade and Industry and the Welding Institute to develop linear friction welding into a commercial technology. The other members are Blacks Equipment and Rolls-Royce, the UK aero-engine maker. The latter is interested in the potential of friction welding for producing high-quality joints in aerospace materials.

Richard Dolby, director of research at the institute, says that the new machine is constrained in the size of components it can handle – so far up to 1,000 square mm – but it is less constrained on the type of materials it can weld. He describes it as "the most tolerant of all joining processes, making it well suited for the rigours of production engineering, where parameters can change considerably."

The new machine has welded aluminium to steel, for example, which cannot be done any other way. In terms of design, it can enable designers to specify simpler parts.

It uses a balanced reciprocating mechanism to move one component with a thrust of up to 45 tonnes across the face of a rigidly clamped component to which it is to be welded.

The mechanism powers a friction welding head, holding one of the two metal components. The oscillation varies from zero to 6mm (plus or minus 3mm from the centre), with the welding head moving through each cycle between five and 75 times a second.

The oscillating mechanism is balanced through all phases of the welding cycle, so the oscillations do not damage the machine or the pieces of metal to be welded.

When the two surfaces are rubbed together the interface between them are cleaned and heated to the temperatures required for welding, typically between 950 deg C and 1,200 deg C.

At this point, the oscillating friction welding head is stopped and the two components are forged together with a force of 11 tonnes as the machine increases the axial load along the length of the two components. This squeezes some of the glowing, semi-fluid metal out of the interface, shortening the combined length of the components by up to 4mm. The entire welding cycle takes only 10 seconds for a 1,000 square mm weld.

The technique is suitable for a wide range of configurations including square, round, rectangular and hexagonal shaped components. Blacks Equipment says that even irregular shapes can be welded, including turbine blades to shafts in jet engines.

Other potential applications include welding gears, chain links, electrical components, plastic automotive parts such as bumpers, boot lids and floor pans, bimetallic chisel blades and multiple joints in metals or plastics.

Lynton McLain

BUSINESS LAW

Golden handshakes: due for a legal shake-up?

By Ronnie Fox

THE legal complications affecting compensation packages for dismissed employees have become all too familiar to employers and their advisers. Recent legal developments have added to the complexity, creating new anomalies and increasing the urgency of demands for reform.

The Government has responded with proposals to rationalise the powers of industrial tribunals later this year, but the modest simplification that this should achieve may well be at the cost of increasing the numbers of claims and amounts of compensation awarded against employers.

Most claims by dismissed employees are settled out of court. At executive level, the parties frequently reach agreement before the executive leaves, which can then be presented as resignation or mutual agreement.

But in these cases the terms *on which an executive departs* are very much influenced by the legal framework. Tax and company law may be relevant as well as the notoriously complex provisions of employment legislation and the parallel rules of the common law.

Industrial tribunals are the most important source of redress which advisers must anticipate. More than 7,000 unfair dismissal claims are heard every year.

The industrial tribunals' jurisdiction is much more limited than is generally realised: employees must usually have been employed for two years; and compensation is limited to a basic award equivalent to statutory redundancy pay (maximum 30 weeks' pay at up to £184 a week, raised from £172 from April 1) and compensation for financial loss up to £8,925. Reinstatement orders are very exceptional in practice, and carry relatively light sanctions.

For many less-well-paid employees, the tribunal limits present few problems. The main exception is arrears of such items as holiday pay, which until recently could not be dealt with alongside other claims because of the sharp line between statutory and common law jurisdiction. The perplexed employee would be advised to bring a separate claim in the county court for arrears of holiday pay.

Higher-paid employees may be more significantly affected by the financial limits. A High Court claim for damages for wrongful dismissal is the best recourse for a highly paid executive with a long contractual notice period. His or her claim would substantially exceed the compensatory powers of the industrial tribunals.

Depending on the correct analysis of the Wages Act, any common law wrongful dismissal claim may be within the jurisdiction of the industrial tribunal

But for employees with substantial actual losses and less generous contractual protection, the limit on compensation which can be awarded by an industrial tribunal (in real terms barely half the figure set when remedies for unfair dismissal were created in 1972) is a trap.

The Wages Act 1986 has added tactical and jurisdictional problems, which are only now becoming apparent following a series of recent decisions by the Employment Appeal Tribunal. Unfortunately the result of these cases is added confusion, with a direct conflict about one crucial question.

The 1986 act was intended to rationalise Victorian legislation governing stoppages from pay. The new rules – governing deductions without contractual authority or written consent – are enforceable by industrial tribunals.

Claims by dismissed employees over non-payment of various sums alleged to be due as "pay" have produced the lion's share of a boom in industrial tribunal claims. There is no minimum qualifying period of employment for a claim under the Wages Act, nor any limit to the amount that may be claimed. Many claims have not been supplementary to unfair dismissal actions but have, in substance, been common law wrongful dismissal claims brought within the simpler and swifter tribunal procedure.

When can this short cut be used? The answer depends on whether refusal to pay wages or salary in lieu of notice following summary dismissal is a "deduction" from "pay". In Scotland the judicial view is that it is – a view supported by the broad statutory definitions of each term. In England and Wales the Employment Appeal Tribunal says that it is not – a view closer to the act as presented to parliament.

The result is that more claims may be brought to industrial tribunals by dismissed employees with short service, and claims under the act may give dismissed executives a way round the statutory limits on unfair dismissal compensation where substantial sums are involved. But now only the higher courts can decide whether this will happen.

Into these murky legal waters some light will be shed by a forthcoming change in the law. The Department of Employment has announced plans to make regulations (using a power available since 1972) to give industrial tribunals the right to hear any contractual claims by employees arising out of the termination of their employment, or outstanding at termination.

This sounds enough to clear up the confusing differences of view about the Wages Act. Detailed points must await publication of the regulations themselves but the department has already announced that there will be a further hurdle for applicants to surmount. They will need to have another claim, arising from the same employment, before the tribunal. This may be for unfair dismissal. It could also be under the Wages Act.

Depending on the correct analysis of the Wages Act, any common law wrongful dismissal claim may be within the jurisdiction of the industrial tribunal – with no need for any minimum qualifying service, and no ceiling on amounts claimed. Even incidental claims for holiday pay and the like will trigger the wider jurisdiction – an important point if the narrow construction of the act eventually prevails.

The industrial tribunals' jurisdiction will not exclude ordinary court actions. Where large sums are at stake tribunals may remain the preferred route; but employers will have little influence over this choice.

Irrespective of the construction of the Wages Act, employees may be able to invoke the new jurisdiction by making a claim for which their qualifying period of service is less than two years. Possible claims include a failure to give proper written reasons for dismissal (qualifying period six months for employees appointed before February 26 1990, two years for those appointed since); disputes about written particulars of employment (13 weeks); or sex or race discrimination (no minimum qualifying period).

If spurious claims are used as a peg to bring contractual actions before industrial tribunals, employers will be able to have the action struck out; but tribunals are reluctant to take this step without hearing evidence.

Overall, therefore, the rationalisation of industrial tribunals' powers will resolve only some of the problems. This limited resolution will be at the expense (from the employer's perspective) of greater risks that dismissed employees will seek to use tribunals to settle contractual employment claims.

There is a sting in the tail for employees, however. Employers will also be entitled to use the contractual jurisdiction of the industrial tribunal to recover damages for a variety of breaches of contract. At present such claims are unusual where the employees allege unfair dismissal – probably because the employer's claim would involve costly separate proceedings in the courts to obtain an uncertain remedy. A simple counterclaim or "set-off" in the industrial tribunal will seem much more attractive to employers.

The unsatisfactory and over-complex legal rules impacting on golden handshakes will not become much simpler or more rational as a result of these developments. A more systematic rethink is long overdue.

The author is senior partner of the City law firm Fox Williams, and author of Payments on Termination of Employment, 3rd Edn published by Longman this month.

MANAGEMENT: Marketing and Advertising

Alice Rawsthorn and **Karen Zagor** on cynicism in the UK toward environmental advertising and on labelling guidelines in the US

Gunning for 'Green con' commercials

On December 20 1989 a company was accused of "factual inaccuracy, significant omission and playing on the public's fear and ignorance of the greenhouse effect."

The company in question was British Nuclear Fuels Ltd. The accuser was Friends of the Earth, the environmental pressure group. The object of its accusation was an advertisement for BNFL with the slogan "Just how Green are you about nuclear power?" The ad, devised by Young & Rubicam, had the dubious distinction of winning FoE's "Green Con of the year" awards.

Yesterday the FoE announced the launch of a second set of Green Con awards for 1990. The awards are given to the companies which, it believes, are misleading the public by pretending to be Greener than they really are. The news that the awards will run again this year comes at a time when the advertising industry is coming under intense criticism for its work in the environmental arena.

Last week the Advertising Standards Authority upbraided five advertisers for making misleading claims concerning the environment. The Independent Television Association issued a new set of guidelines on the content of Green commercials. An article in the latest issue of New Scientist magazine cites the "splendidly incompetent copy-writing by advertising agencies" as one of the chief contributors to the growing cynicism about 'environmentally sound' products.

The fuss and furore over Green advertising raises a very real dilemma for the advertising industry. The sudden surge of interest in the environment has fuelled a significant change in consumer attitudes to which it must respond. It has also fostered demand for new products and services from the industry's clients, which has provided a welcome source of new revenue.

In short, the industry can not afford to ignore environmental issues. The problem is that, so far, its attempts to address them have been far from successful. Further, as the first flood of Green enthusiasm dies down, consumers' attitudes are becoming more and more complex.

Green advertising is not a new phenomenon. For years oil and chemical companies have run commercials designed to persuade the public that they are kind, caring and evironmentally-aware.

It is only in the last year or so that environmental issues have been a significant influence in product advertising as well. As soon as mainstream manufacturers realised there was a market for recycled loo rolls and cars with catalytic converters, a new genre of Green advertising appeared. Scenes of rural serenity and cloud-encircled globes have joined the 'new man' with his stubbly chin and chuckling baby as the clichés of early 1990s advertising.


Scenes from the latest Shell advert, designed to show the company takes lead free petrol to the most remote areas

The public was suspicious from the start. "In all our discussion groups on Green issues, consumers have shown a high degree of scepticism," says Sian Morrissey, a researcher on environmental issues for the Consumers Association. "They are very, very suspicious about manufacturers jumping on to the environmental bandwagon."

Unfortunately for the advertising industry, the first wave of Green advertisements seemed to confirm the public's suspicions. Some ads were blatantly inaccurate. One example was the ad for a new Rover car, devised by BSB:Dorland, which claimed that the car was "as ozone-friendly as it is economical" because it could use unleaded petrol. Rover scrapped the ad when it realised there was no link between unleaded petrol and damage to the ozone layer.

Another problem was that many Green ads were bland or boring. "There are still too many clichés," says Rita Clifton, a planning director at Saatchi & Saatchi. "There are too many forests, rivers, babies and globes."

A recent study by Ogilvy & Mather showed that a large proportion of consumers are antipathetic about Green advertising. Words like 'confusing' and 'clichéd' cropped up again and again in the research.

One explanation for the industry's apparent incompetence in the environmental area is the sheer speed with which the Green issue surfaced. Many manufacturers were caught unawares by the surge in demand for environmentally-sound products. Both advertisers and their agencies were working in unfamiliar territory. This was aggravated by the absence of guidelines on product labelling and commercial content.

It is also arguable that advertising, as a medium, is not very effective at dealing with environmental issues. In many ways the conspicuous consumption that characterised consumer attitudes in the 1980s was ideally suited to advertising. The archetypal 1980s ads – men in bright Gordon Gekko braces barking down portable phones and *femmes fatales* in boxy Chanel suits – sought to persuade people to buy things with images of unapologetic affluence.

Green advertising is more challenging. The arguments are often abstract or bogged down by complex scientific issues. It is arguably easier to seduce someone into buying something with an image of ostentatious opulence, than with an intricate explanation of how a disposable nappy manufacturer has eradicated dioxins from the pulp production process.

These problems are compounded by the fact that consumers' attitudes to Green products are becoming more complex. Almost all the research into the area shows that, although environmental issues still influence buying decisions, people are much more sceptical about claims made for Green products and sales are starting to suffer.

Ogilvy ran one study of Green buying habits in August last year and repeated the study in February this year. By the second study Green consumers said they were less likely to buy environmentally sound products, or to pay extra for them.

At the same time consumers are not only better informed about Green issues, they are also much more critical in their assessment of the companies that present themselves as environmentally aware.

Saatchi's research shows that people now expect companies to be environmentally aware in every area of their activities. Companies can not expect people to be impressed by their new Green products – or by their advertisements – if they do not take a responsible attitude to the environment in areas such as corporate strategy and production planning.

If Green advertising is going to be more credible in the future, says Rita Clifton of Saatchi, it must be "more sophisticated and, above all, honest."

There are signs that some agencies are starting to respond. The current campaign for Scott Paper and its Andrex toilet paper – created by J. Walter Thompson – is an example of a company, which operates in a sensitive sector, being open about its environmental policy. The theme of the campaign is how Scott plants a new tree to replace every tree it fells.

On Sunday evening Shell unveiled its new corporate advertising campaign, devised by Bartle Bogle Hegarty. The pastoral landscape and rousing Elgar of the old Shell commercials have gone. The new campaign features unruly kangaroos and a dusty petrol station – selling Shell super unleaded – in the Australian outback.

"The public now takes it for granted that a company like Shell takes care of the environment," says Jeremy Judge, chairman of BBH. "Of course people want companies to act responsibly, but they also want to know what is in it for them. The tenor of advertising must change. It must be more honest, more appropriate, less breast beating and much less self-important."

AR

Tracing harmful products 'from cradle to grave'

When Americans started worrying about what they were putting into their bodies, there was a proliferation of labels guiding consumers towards healthy foods.

Now Americans are worried about what they are putting into the earth, and labels guiding consumers towards environmentally-sound products are multiplying.

The latest entrant in the US is the Green Seal, which was unveiled amid some fanfare last week, but which will not start appearing on products until early next year.

"Our objective is to help American consumers vote with their pocket books on environmental issues," says Denis Hayes, executive director of the first Earth Day in 1970 and chief executive of the non-profit Green Seal project.

The newly-formed Washington-based organisation plans to look at the life cycle of certain products, "from the cradle to the grave," to determine their effects on the environment. Those deemed least harmful will be awarded the seal.

"No products are environmentally friendly, we are looking for those that are better than their competitors," says Hayes.

Only certain categories of products will be examined – namely light bulbs, laundry cleaners, house paint, toilet paper and facial tissue.

With light bulbs, for example, Green Seal will consider the amount of electricity needed to run them and the environmental impact of mining the metals used in manufacture, in addition to the consequences of disposal. The standards will be set by an independent council of scientists.

Manufacturers will bear the cost of testing. Costs will be determined on a sliding scale, depending on company size, in order to prevent discriminating against smaller producers.

Green Seal, which has a budget of $750,000 for the first 12 months, expects the money to come from grants and individual donations.

But Green Seal will have to tread carefully if it is to avoid the pitfalls that sank the American Heart Association's HeartGuide food-labeling programme which tested processed foods for total fat, saturated fat, cholesterol and sodium.

HeartGuide, which was on the drawing board for three years, but survived only two months on the market, fell foul of both the federal government and consumer groups.

One of the strongest charges levled against HeartGuide was that its annual fees – which ran as high as $640,000 per product – were exorbitant. The programme was also attacked for not revealing its methods of evaluating products.

Another non-profit organisation with an environmental labelling programme, Green Cross, believes that it will survive where HeartGuide failed partly because it does not charge for the use of its label.

According to Stanley Rhodes, president of Green Cross, the plan by Green Seal to charge manufacturers for the right to bear its label may prove a fatal flaw.

However, Green Seal believes that its sliding fee structure will protect it from the worst of the charges against HeartGuide.

HeartGuide ran into trouble because it did not reveal its criteria for making judgements, according to Julie Vergeront, special assistant attorney general in Minnesota, who works with one of Green Seal's directors. In contrast, Green Seal will make its guidelines public and develop them with the help of public input.

Green Cross, a subsidiary of Scientific Certification Systems, plans to have a recycling seal on the market by July for products and packaging which have "a significant amount" of recycled consumer waste. Product claims will be checked by an independent, third-party certification company.

Later, Green Cross plans to introduce an environmental seal with stringent requirements from manufacturers. Products and packaging must be made from at least 50 per cent sustainable or recycled materials and the manufacturer must have an aggressive solid waste reduction policy and must meet a "no detected residue" standard for highly toxic emissions and effluents. Green Cross does not expect many products to qualify for its label in the first year.

US companies however are not rushing to have products tested for environmental worth. A spokeswoman for Procter & Gamble, a leading US household products group, said the company would rather work on producing uniform standards and definitions for recycling and degradability claims.

Green Seal and Green Cross are the sole issuers of environmental endorsements. Several retail chains have introduced their own environmental labels.

Legislation is being drafted at the senate level for a federal seal to be awarded by the Environmental Protection Agency, and 10 north-eastern states plan to introduce package-labeling regulations by the end of the year.

It is too early to say whether there is room in the US for a plethora of seals, but already there is talk of attrition. "In order for environmental labels to be effective, one programme will have to emerge as the dominant programme," says Vergeront.

KZ

CINEMA

Innocents abroad

VINCENT AND THEO
Robert Altman

STANLEY AND IRIS
Martin Ritt

FOOLS OF FORTUNE
Patrick O'Connor

REVENGE
Tony Scott

Who is mad and who is sane? *Vincent And Theo*, directed by Robert Altman from a script by Julian (*Another Country*) Mitchell, asks us which of the two Van Gogh siblings was the true moral and mental casualty. Was it painter Vincent, famous for his delirious cornfields and DIY experiments in ear surgery? Or was it his art-dealer brother Theo?

In the centenary year of Vincent's death new movie perspectives must be found on the artist who, though he sold only one painting during his life, has since become the art world's answer to Steven Spielberg. Today, his paintings fall under a golden hammer in every auction-room. His posthumous victory deserves better than endless variations on *Lust For Life*: films in which glowering, bristle-haired actors pretend to add real brushstrokes to copies of "Sunflowers."

Altman and Mitchell have paid VVG the tribute of understatement. Throwing as keen a spotlight on Theo, played with demonic intensity by Paul Rhys, they render Vincent (Tim Roth) quietly and poignantly as a conundrum in search of a socio-historical context. The movie is long (2¼ hours) and variable but never dull. Serpentining from scene to scene, it begins as a *jeu d'esprit* with modern hindsight. As plinky music overscores scenes of audio-visual persiflage – a beach painting that "comes to life," sounds from a televised Van Gogh auction that leak into the 1880s – we could be watching "Someday In The Past With Vincent." But soon more visceral matters take over. We begin cutting between Theo, battling with syphilis and philistinism in Paris, and Vincent in Provence, battling with life, art and Paul Gauguin.

If Vincent was a tormented but oddly "innocent" victim of art's enthralment, Theo was an unblinkered man who saw the whole of life's picture and did not like it. He ended his life, within a year of his brother's suicide, in a madhouse.

Recognising Vincent's greatness, Theo was powerless to promote it. "If you can sell Corot, you can damn well sell me!" yells Tim Roth's Vincent. And though at times one wonders if this Theo could sell central heating to an Eskimo, one perceives in Paul Rhys's pale, neurotic, twitchy-mouthed Theo the tragic figure of an artist *manqué* who sees the future of art but cannot make it "work:" either for himself, the evangelist, or for his brother, the messiah. Shot in grey, bleak tones by Jean Lepine, Altman's movie is a grave, bleak vision of art and its heroes: heroes who may be found as much among the unsung *non-artists as among* the much-romanticised geniuses.

*

Jane Fonda and Robert De Niro in *Stanley And Iris* play two New England factory workers brought together by illiteracy. Mr De Niro cannot read or write. Miss Fonda, wiping the jam and crumbs off her hands after a hard day at the cake factory, offers to help. So begins a friendship that turns to romance between two people. This is their story. Well, it is their story now. It used to be author Pat Barker's story, a praised Teeside-set novel about the British working class called *Union Street*. But Miss Barker sold the book to Hollywood and was then shocked by the results. There are still innocents about in the world.

Mind you, it is hard not to be shocked by some of the banalities assembled here. Screenwriters Harriet Frank Jr and Irving Ravetch and director Martin Ritt, the team who in happier days brought you *Hud* and *Norma Rae*, tease out their skeletal plot until its bones squeak. The audience is protected from such noises by the layers of syrupy music (John "ET" Williams). But they are not protected from the "Aw gosh, pass me a hankie" scenes in which De Niro learns at last how to spell; nor from Miss Fonda's violin-string hyper-intensity as the factory girl who thinks she's starring in her own production of *The Miracle Worker*. Audiences who know how to spell should have little problem articulating a verdict on this film: "T-u-r-k-e-y."

*

It is hard to keep track of a movie's pedigree in this age of Hollywoodised British novels, English actors playing Dutch brothers for an American director, and Mrs Thatcher giving £5m of taxpayers' money to encourage the dubious art of the co-production.

With *Fools Of Fortune* Irish director Pat O'Connor, fresh from misfiring in America with *Stars And Bars* and *The January Man*, returns from Tinseltown to Shamrockland to film a William Trevor novel. He brings America's Mary Elisabeth Mastrantonio (*The Colour Of Money*) to star as the flower of the English gentry who falls in love with a young Irish patriot played by Anglo-Scottish actor Iain Glen. The patriot's father was killed by the Black and Tans and his drink-prone mother is played by England's Julie Christie, making a brave stab at a Hibernian accent.

The talent mixture is odd on paper and even odder on screen, despite early promise.

Jane Fonda and Robert De Niro in "Stanley & Iris"

A sepia-toned credits sequence captures the white-lace-and-afternoon-tea era, circa 1920, soon to be worn away by social history and Ireland's independence struggles. As the Quinton family, turning to colour, continue to frolic about the lawns and messuages, we flash forward once or twice to an unkempt Mr Glen awaiting a boatload of patriot cronies in a stone hut by the seashore. For Mr G, we learn, is a grown-up version of the young boy we watch collide with grief as his family home is torched and his Dad shot by Britain's ragged army of irregulars.

The film keeps its balance for an hour. But when it makes the final jump from the 1920s to the 1930s, it breaks both ankles and never recovers. Scripted as if for the slow-witted by Michael Hirst, it spells out in words what should be made manifest in the images and acting. ("She's not a saint, she's insane" says Mastrantonio brusquely of her and Glen's little daughter, in whom the Irish troubles have lodged like a trauma). And emotional staging posts are reached with no preparation, as if we were leaping about in a twilight zone of narrative short cuts.

The acting – not surprisingly – is of a rare awkwardness from everyone in sight. Mr Glen is required to burst into noisy tears at the drop of a memory and Miss Christie's whisky-bibbing materfamilias is a poor relation of her opium-addicted madame in *McCabe And Mrs Miller*. Not even Hans Zimmer's fulsome score can give emotional impact, though Heaven knows it tries, to a film which never finds an authenticity of feeling or meaning beneath its disconnected gestures and rhetoric.

Revenge has no difficulty announcing its pedigree. It is a modern-dress Western, albeit directed by a Briton (Tony Scott of *Top Gun* and *Beverly Hills Cop 2*). In today's sagebrush-depleted age, we must dive down to Mexico for tales of what a man's gotta do. In this instance, retired flying ace Kevin Costner gotta run like hell after falling in love and into bed with his friend Anthony Quinn's wife.

Mr Quinn is a Mexican Mr Big who hires and fires local politicians and shoots troublesome guests for after-dinner sport. His wife (Madeleine Stowe) is a dark young beauty from the Hollywood talent pool. And Mr Costner exists in two modes: "before" and "after." Before being beaten up by Mr Quinn: wry, handsome and cool as an after-shave. After beating up: bruised, handsome and hellbent on getting the lovely Miss Stowe back even though she has been banished to a brothel by Old Meany-pants.

Soon we are careering all over the Mexican sierras wondering if those amber-coloured skies and mist-swathed villages are the real Mexico or if director Scott has been at the filters and smoke-machine again. Brother of Ridley, he makes all those high-style commercials in which women clamber around Mayan ruins wearing sweat-free tick marks.

Revenge is gloriously handsome and gloriously dotty, and that it failed at the American box office only raises it in my affections. Who can truly dislike a film in which a key romantic scene in played across an electric lemonade-blender; in which the mighty Quinn is lit in mythopoeic close-up like a giant bullfrog; and in which veils, drapes and ceiling fans are deployed for visual effect as if Josef Von Sternberg had never died and gone to mad directors' Heaven. A thing of beauty is a joy for ever; : or at least in this instance for 124 minutes.

Nigel Andrews

Cumbre Flamenca

SADLER'S WELLS

The greatest dancing now to be seen in London (for all the beauties of the Kirov) occurs – with some of the finest music – on a stage with virtually no decor. Just a black backdrop, which sometimes lifts to show a second backdrop of blue sky and the evening starts with maximum severity: darkness, silence, then the raps of a cane *on the floor offstage. In the* opening Martinete there's no accompaniment, other than those cane-raps and the noise of the dancers' heels.

Stark stuff. Yet, early on in this Cumbre Flamenca programme, I felt again such an intense plenitude of sensation that I was soon reeling. This level of experience is rare in or outside a theatre, but I say "again" because I now expect it from this great troupe of five dancers, four singers and four guitarists. (Though the programme's overall plan remains the same as last year, many details have changed.) Seldom here do we find dancing accompanied by music-making of this quality; and no other dancing seen in London this year has shown such thrilling intimacy between music and dance.

From first to last, flamenco makes you aware of widely different units of time, from the smallest to the largest; and so you experience layer upon layer of rhythm. The quickest strum or rap takes its place inevitably within the whole musical pattern of a dance. But nothing feels inevitable. All seems suspenseful, unpredictable – and final. It is as if plainsong had been crossed with jazz, and you think of Moslem *muezzin* and of Hebrew chant, of the pride of free will, the cruel force of fate. The musicians – don't miss the final encore dances – show a passionately witty understanding of the dance idiom; and the dancers are brilliant masters of the musical style. La Chana, in the Alegrias, and Cristobal Reyes in the Cantinas, show musicianship of the highest order.

It's as strange a blend of nobility and eroticism as anything in Wagner. The proud tautness of groin and waist, the glamorous stretch of the arms, the keenly clacking feet *function in different combinations* during a solo. What alluring posture; and how sexual the structure of each solo, as *one exciting crescendo* is then surpassed by the next.

La Chana is as ripe, as dramatic, as fierce, as funny as last year; and in her shaping of the whole Alegrias she seems to me an even more sublime artist than ever. As she brings one unaccompanied cadenza to a dizzying peak, the heel and toe of one foot, then of the *other*, produce a rapid trill that not only accelerates but softens, while she slowly turns on the spot. Then, having drawn percussive rhythm to this miraculous climax, she – slowly, slowly - circles a wrist and begins her next variation, a study in plastique and opposition with one backbend of sumptuous beauty. How touching when this defiant creature then takes one of her musicians by the hand, as if needing reassurance, in commencing the next skein of rhythm.

Reyes, in his Cantinas, shows as much diabolic gypsy virtuosity as before, building each variation into an astounding, accumulating, rhythmic spiral of excitement. Now he dances *to* the music; now he works closely with just one musician; now he, unaccompanied, *is* the music. On one foot, he makes heel and toe produce high-speed metrical complexity, which he then decorates, jabbing his spare foot to the floor again and again.

The young Juana Amaya is even more daring and exact than last year. Her Solea is the most drastic contrast of aggres*sive blousiness and hand*somely rigorous precision. Antonio Canales, in the Farruca, and Angela Granados, wielding heels, tasselled shawl and long, deep frilled train in her Taranto, remain splendid. My only disappointment is that the singer, Alfonso "El Veneno," in less fine voice than last year, does not produce his former vocal marvels of long-phrased coloratura. But the evening's singing, so oddly tense, pliant and right for the dancing, is all extremely stylish. And there is one new bonus in Diego Losada's Granaina guitar solo – a powerfully rich amalgam of flowing melody, stirring chords and balalaika-like vibrations. All evening long, you could be *blindfolded and still have a* great experience.

Alastair Macaulay

Alastair Muir

Angela Granados

Capriccio Stravagante

ST JAMES'S, PICCADILLY

The Lufthansa Festival of Baroque Music, currently in mid-flight, on Tuesday night played host to Capriccio Stravagante, the Paris-based Early Music group. Under their founder, the American harpsichordist Skip Sempé, they have won a sizeable reputation for the vividness and intelligence of their performances; the programme, subtitled "War and Peace" and devoted largely to Monteverdi vocal music, went some way toward showing why.

As demonstrated in both the instrumental selections (by Scheidt and Biber, a little damped by the resonant acoustics) and the vocal, the style is spontaneous, plastic, rhythmically un-metronomical. The singers attached to the group – above all the French mezzo-soprano Guillemette Laurens and the English tenor Ian Honeyman – cultivate a delivery of the words which makes them, correctly, the motivating force in the music: there was none of that woolly mumble that in too many current British readings passes for Monteverdian Italian.

The wholly enthralling account of the *Combattimento di Tancredi e Clorinda* which filled the second part came to urgent life through the cut and thrust of the singers' words. Mr Honeyman tends to bounce about on the platform – at times he unwittingly put on a *Rosenkavalier* Italian Tenor caricature – but his virtuosity in throwing off elaborate florid phrases while keeping up the pace of story-telling urged tolerance for all the face-pulling and hand-waggling.

Miss Laurens, whom I have praised on this page in recent French performances of Lully, Gluck, and Handel operas, is a singer of fascinatingly resinous mezzo tone and electric temperament, who takes risks with tonal management in a way few other Early Music singers would dare. Clorinda's brief phrases were heart-rending, and in the *Lamento della ninfa* earlier on, she achieved an even rarer blend of dramatic passion and stylistic probity. Any Monteverdi concert performance that suggests the theatre, as these did, is surely on the right lines.

Max Loppert

Prince/Neville Brothers

WEMBLEY ARENA/TOWN & COUNTRY

It began like the Creation: light dusting the darkness; sound breaking the anticipation; hushed voices intoning words like "Dearly beloveds" and "Ultimates." This is what we were expecting – Prince was among us.

He was here, but more a brooding presence rather than a visionary light. Although designated the "Nude" tour this year's manifestation of Prince is a rather subdued, workmanlike, almost off-hand affair, with the tiny mannikin clothed, contained, respectable. If you are nice you call it "Back to basics" after the orgiastic extravaganzas of previous shows. If you are sceptical you call it commercial exploitation of the audience's dreams rather than the sexual exploitation of the past.

It is hardly dull. Prince, who this time sprouts hair from face and chest, is a supreme performer, singing, guitar playing, piano thumping, dancing, with a style and perfection that puts any rivals to shame. As he became half visible in a non-stop disco opening sequence incorporating songs like "The Future" and "1999" it was obvious that he was going to put that old phoney Michael Jackson in his place for starters. There was the same image of backing male dancers going through foreplay motions behind Prince but as the guitarists fell to their knees in adoration there is no doubt who is the global super star these days.

Perhaps it is too easy for him. The production values would shame Hollywood in the 1930s. The set, built around a demented drummer, is one long cat walk to show off Prince's total control. Lights blaze; dry ice spurts into the void; a female singer acts as a voice of warning; the dancers, the musicians fall into their slotted, peripheral, roles. There is the moment when the audience is briefly acknowledged, in "Purple Rain," and the action slows down for a communal anthem illuminated by lighter flames and sparklers from the mesmerised throng. There are the piano solos in which Prince reclaims "Nothing compares to U" and makes it more heart felt than the Sinead O'Connor cover version. There is a nod towards current fads when "Alphabet St" is melodically rapped out with a Motown beat.

Of course most of the show is a non-stop party. You feel you are in the grandest disco in the world watching an exquisite reach nirvana. The simulated sex with the microphone is a bit tacky, as are the suggestive press ups by the boys. But Prince delivers excitement, even if you realise before the long sequence of encores that it is packaged excitement, slick and stereotyped, and stripped of any emotion or improvisation. Near the end he slips into a suit, becomes street sharp. That sums it up: you've been given a run round by the smartest dude on the block and you are grateful that he has deigned to acknowledge you.

Antony Thorncroft

The albums, even the live ones, tell only part of the story; the Neville Brothers are even better in concert. In their unstoppable celebrations all the strands and shards of 200 years of black music in New Orleans are joyously fused; it is not jazz or blues, gospel or rock, but something reaching back to the roots of all of them, unclassifiable and very special. Purists might claim that the Nevilles are only the very public tip of a cultural iceberg which goes right to the fundamentals of black culture in the deep south, that with their enormous success an intensely private, assiduously preserved folk tradition has been made international property. But there is never a hint of exploitation in their show; it is New Orleans and its people that the Nevilles celebrate.

Tuesday's show at the Town and Country (there is another tonight) was the usual glorious mix of old and new, borrowings and reworkings, each one delivered with freshness and spontaneous imagination. There is as much invention in the decorative swirls of Aaron Neville's ballads – a version of Leonard Cohen's "Bird on the Wire," newly released as a single, was almost as spell-binding as his transformation of Dylan's "God on our Side" – as in Charles Neville's saxophones or the polyrhythms of Cyril's congas. Every discursion, every flight of fancy, is bound together by Art Neville's more phlegmatic keyboards – the harmonic sense of every song is just as compelling as the astounding tightness of its rhythms.

There is a new album on the way, and the samples of that – a stomping "Brother Jake" and another of the Nevilles' fiercely committed anthems "My Brother's Keeper" – suggest that standards are more than being maintained. A clutch of songs from its predecessor *Yellow Moon*, the disc that finally put the band on the international map, and then the performance became supercharged: a finale kick-started with George Landry's "Brother John" and "Iko, Iko," and a furious encore set calmed for a moment by Aaron's magical "Amazing Grace," awash with New Age harmonies. The pacing is perfect, overwhelming.

Andrew Clements

ARTS GUIDE

June 15-21

EXHIBITIONS

London

The Royal Academy. The 222nd Summer Exhibition – the oldest established and largest open submission exhibition in the world, it covers the broader centre ground of professional British art. Daily until August 19; sponsored by the Dai-Ichi Kangyo Bank.

The Tate Gallery. On Classic Ground – a large exhibition devoted to French, Italian and Spanish art of the first four decades of the century. Until September 2; sponsored by Reed International.

The Royal Academy. Modern Masters from the Gelman Collection – a self-explanatory exhibition of masterpieces of the 20th century from Bonnard and earliest Picasso to Picasso the old man. Until July 15; sponsored by Guinness.

Paris

Grand Palais. Joseph Wright of Derby. Some 80 paintings and 30 drawings sum up the career of the 18th century portraitist who introduced the *chiaroscuro* into English art. Closed Tue, Wed late closing, ends July 23 (42625410).

Galerie Odermatt-Cazeau. 19th and 20th Century Masters. A thread of excellence runs through the exhibition, which begins with the impressionists and ends with an abstract Picabia. Ends July 28 (42669258).

Musée Carnavalet. Antique bronzes. Some 400 statuettes bring to life the Gallo-Roman world up to the 5th century. Closed Mon, ends July 1 (42722113).

Grand Palais. Pre-Columbian art in Mexico (1500BC – AD1521). Some 130 exhibits from Mexico's archaeological museums bear witness to the high degree of artistic development of the ancient civilisations of the Mayas and Aztecs. Closed Tue, late closing Wed. Ends July 30 (42895410).

Brussels

Isy Brachot. Portrait of the Pace gallery of New York. Calder, Dubuffet, Picasso, Rothko and others. Ends June 23.

Fondation pour L'Architecture, 55 rue de L'Ermitage. Brussels, City of Architecture 1890-1958. Closed Monday.

Antwerp

Rembrandt Bugatti and Belgian Animal sculpture (1880-1930) closed Monday ends July 29. Hessenhuis, 53 Falconrui.

Rome

Braccio di Carlo Magno in Piazza San Pietro: Michelangelo and the Sistine Chapel. This exhibition marks the end of a 10-year project by Vatican restorers on the ceiling of the Sistine Chapel. Ends July 10.

Villa Medici. Henri Cartier-Bresson. Photographs and 100 or so drawings. Ends June 22.

Florence

Palazzo Vecchio. The age of Masaccio: tying in with the reopening of the Brancacci chapel in the Church of the Carmine after a six-year restoration on the cycle of frescoes by Masaccio and Masolino, are 109 works by painters and sculptors who worked in Florence in the golden years between 1401 (the date of Masaccio's birth) and 1440.Ends Sept 30.

Naples

Castel Sant'elmo. In the Shadow of Vesuvius: Naples through the eyes of European artists between 1400 and 1800. Ends July 21.

Hamburg

Kunsthalle, Glockengiesserwall. Caspar David Friedrich (1774-1840). To commemorate the 150th anniversary of his death, this exhibition shows 40 sepia, Indian drawings and watercolours of the German romantic artist. Ends July 1.

Darmstadt

Mathildenhöhe. Duke Ernst Ludwig, who ruled between 1892 and 1915, instituted the Mathildenhöhe's the arts centre Künstlerkolonie, one of seven buildings by architect Maria Ulbrich, called Ernst-Ludwig Haus. It was damaged during the war and now after a total reconstruction it opens its doors in its original function as a Jugendstil museum.

Madrid

Museo del Prado. Sanchez Coello (1531-1588). Some 50 paintings by this Spanish artist born in Valencia, predecessor of Velazquez. Ends July 30.

Palacio de Velazquez. Roman Bronze Objects in Spain. Over 500 objects from different Spanish museums. Closed Mondays.

Barcelona

Fundacion Caja de Pensiones. Edwuard Ruscha retrospective. Closed Mon, ends July 15.

New York

Museum of Modern Art. The first retrospective in America in 25 years marks the 80th birthday of Francis Bacon with 60 works dating back to his figure studies of the 1940s.

Metropolitan Museum of Art: The Russian Taste for French painting, representing three centuries of French masterpieces from the Hermitage and Pushkin Museums, covers Poussin to Matisse. Ends July 29

Washington

National Gallery. More than 90 prints by Edvard Munch show the Scandinavian artist at his most colourful and prolific. Ends Sept 3.

National Museum of Women in the Arts. The first major retrospective of the work of Dame Elizabeth Frink includes 60 sculptures and 25 drawings. Ends July 4.

Tokyo

Idemitsu Museum. Oriental Ceramics from the Topkapi Palace, Istanbul. Closed Mondays.

Teien Museum. Perfume Bottles by René Lalique. Closed alternate Wednesdays.

Suntory Museum. Bulgarian Icons: Prayers of the Multitude. These 61 magnificent Byzantine works range from the 12th to the 19th centuries and are on loan from collections in Bulgaria. Closed Mondays.

SALEROOM

Bankrupt brothers make good

Nelson Bunker Hunt and his brother William Herbert became very rich bankrupts on Tuesday night when Sotheby's raised $20m (£11.6m) from selling their collections of Greek and Roman coins, Greek vases, and Greek, Roman and Etruscan bronzes. The Texan brothers were at one time among the richest men in the world when they attempted to corner the silver market in the 1970s, but their ambitions outstretched their means and the collapse of the Texan oil market has brought them to financial ruin. Their collections must be sold to satisfy creditors.

The Hunts had been advised to buy coins and antiquities at a time when they were expensive. Subsequently their prices slumped and many of the objects offered carried estimates reflecting a real loss in value. In the event the quality of the goods attracted keen bidding, and the result far exceeded expectations, establishing many records – for an antiquities sale; for a Greek vase; for an ancient coin. There are more sales to come, including one today.

The record for a vase was the £1,023,256 paid for a fragmentary Attic red figure krater, signed by the artist Euphronios around 510 BC. Its decoration depicts the battle between Kyknos and Herakles. The coin record was the £332,558 paid for the Dekadrachm of Agrigentum, a silver coin produced around 410 BC and finely engraved with eagles and animals, and one of only eight examples known to exist. Everything offered sold.

At the same time Sotheby's was producing records for the Spanish artist Sorolla y Bastida; for Lord Leighton; for Hicks and Lear, among others, at its auction of 19th century paintings in London. The auction totalled £10.3m, with 23.42 per cent unsold. The Sorolla, of fisher girls on Valencia beach, sold for £1.815m; the famous Lord Leighton of "Dante in Exile" for £1.1m; the equally famous Hicks – of the 1860 scene at the General Post Office just before closing time – for £231,000; and a luminous Lear view of Corfu for £132,000. The 35 paintings sent for sale by the British Rail Pension Fund produced £6.17m.

The continentals noticeably outshone the Victorians. A Corot nude was near its low estimate at £1.65m and a French dealer paid £836,000 for a view of the clock tower at Ornans by Courbet. In comparison a small version of a famous Victorian painting, "King Cophetus and the Beggar Maid" by Burne-Jones, which had stayed in the artists family for a century, went for only £242,000.

Antony Thorncroft

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Thursday June 21 1990

Encouraging Mr de Klerk

EVENTS in South Africa over the past few weeks have reinforced the view that President F.W. de Klerk is committed to fundamental change, and that the momentum created by last February's release of Mr Nelson Mandela is unstoppable. Hospital services are being desegregated, racial discrimination in public amenities will become unlawful from mid-October, emergency powers have been lifted except in the province of Natal, and more political prisoners have been released.

Some elements of apartheid remain, such as the Group Areas Act. The authorities retain draconian legislation. The gap between the government and the African National Congress (ANC) over a new constitution remains wide, and formal negotiations have yet to get under way. But it is cavilling to suggest, as some anti-apartheid campaigners do, that there has been no significant change and that no reappraisal of western policy towards Pretoria is warranted.

For the European Community, the first opportunity for a co-ordinated response comes this weekend at the Dublin summit. There is no doubt that Mr de Klerk will be praised for the courageous steps he has taken since he took office last September. The question is when to offer something more tangible than encouraging words, without setting the Community at odds with itself, and the United States.

Britain has already moved unilaterally to lift a voluntary ban on new investment. The Community should follow suit. But Pretoria will reasonably expect further respite from some of the measures introduced when South Africa was under the intransigent rule of Mr P.W. Botha.

Two packages

They came in two packages. In September 1985 the Community agreed on a rigorous enforcement of the already existing arms embargo; cessation of oil exports; bans on exports of police and army equipment, and on new collaboration in the nuclear sector. Further measures were agreed in September 1986, when the Community banned imports of South African iron and steel, and gold coins, and placed a ban on new investments.

There is now a strong case for the Community to take iron and steel, and gold coins, off this list, making clear that other measures will only be lifted when justified by progress at constitutional talks.

New outlets

The economic benefits of such a move will be slight. South African steel manufacturers have found new outlets, and Pretoria is unlikely to depress an already gloomy gold market by re-introducing the Krugerrand. But the psychological impact on white South Africa, whose unease was illustrated by the ruling National Party's narrow victory at a recent by-election, could assist Mr de Klerk to put his case for change to the white electorate.

It will also send a signal to the ANC, which wrongly clings to its refusal to suspend the "armed struggle," and advocates strengthening rather than easing sanctions. The justice of the ANC's cause is undeniable. But it cannot expect to dictate the sanctions agenda in the face of continuing reform in South Africa.

The prospect of such steps from the Community as soon as this weekend is unlikely, such are the divisions within its ranks and the preference for consensus. It may also be argued that they would leave Europe even more out of step with the US, whose sanctions are already much tougher: coal, uranium, agricultural produce, air links and private loans in addition to EC measures. But this gap is unlikely to be bridged. Washington's stance is determined as much by domestic electoral considerations as by the welfare of South Africans.

In the immediate future the EC leaders may do little more than pat Mr de Klerk on the back, withholding carrots until a further step down the reform path has been taken, notably the start of constitutional talks. But it would be ironic if the phrase so frequently applied to inadequate South African reform efforts in the past – too little, too late – were to describe such a grudging response to the real thing. It is time to start thinking about ways to stimulate the economy of post-apartheid South Africa.

A policy for part-timers

EUROPE's Social Charter of workers' rights is not a mirage after all. The first draft directives to emerge from the vague declaration of principle are remarkable both for their scope and for the way in which the Treaty of Rome has been invoked to justify them. If implemented in full, they would force broad changes in social security and employment conditions in each member state of the Community.

The directives deal with part-time and temporary workers, a group which represents a rapidly growing form of employment. In Britain, Denmark and the Netherlands, part-timers now form at least 23 per cent of the workforce.

All employees working more than eight hours a week would be entitled to the full range of pension and sickness schemes provided by employers. They would get benefits from each country's national insurance system. They would also have to pay social security contributions: many workers in states such as West Germany would enter the fold for this regressive form of personal taxation for the first time.

These proposals should provide food for thought for both national governments and employers. The Commission describes these workers as "atypical," which is also how many employers still treat them. Part-time workers, most of whom are women, are often seen as expendable. They are given less training, and fewer benefits. Only a minority of employers makes a serious effort to harmonise benefits.

This is a mistake on their part. The growth in part-time employment has been fuelled by the desire of employers and workers for flexibility in working time. It is in employers' interests to make better use of part-timers, whose talents are often ignored.

Limited reforms

The same strictures apply to national governments, whose social security regimes are constructed on the post-war assumption that work must be full-time. It is clearly wrong that an increasing proportion of the workforce is excluded from national insurance benefits. The British Government has already made limited reforms of national insurance to address this anomaly.

So the Commission's ideas have some merits. It is the way in which it seeks to enforce them and its justification for doing so that are wrong. The Commission says differentials in social security contributions for part-timers constitute a distortion of economic competition among EC states under the Treaty of Rome.

Distorting competition

The most charitable explanation for this argument is that it is simply a device to get the directive passed under majority voting. Taken at face value, it implies that any variation in wage levels for broad categories of workers distorts competition. The Commission avoids this conclusion by saying that EC unit labour costs are roughly similar, although wages in member states vary widely.

The truth is precisely the opposite. Variations in labour costs are a mechanism of economic competition, rather than a distortion. The Commission disapproves of this process, calling it "social dumping." But a distortion of competition occurs only if there is special treatment of a given industry or limited number of industries. That is not the case here.

The interests of part-timers and temporary workers will also hardly be served by an enforced harmonisation of their conditions with full-timers throughout the EC. Employers would then substitute full-time for part-time employment, and make such workers truly "atypical" once more. A better mechanism is for employers and individual governments to be free to harmonise working conditions to the extent that they judge this affordable.

Both workers and employers will benefit if the principle of subsidiarity is applied to workers' rights. National governments, employers and unions should decide how best to apply these ideas in ways that will benefit workers. Other EC states as well as Britain are likely to fight the Commission's ambitions if it fails to accept this, and rightly so.

ECONOMIC VIEWPOINT

Spare us a 13th

By Samuel Brittan

Much midnight oil has been burned by British officials and advisers to devise European monetary proposals, alternative to those of the Delors Report, before the coming EC Summit in Dublin.

The attempt has been to make them positive and forward-looking, without compromising Mrs Thatcher's passionate opposition to a single European currency or European central bank. Their labours are not without precedent, as previous generations of schoolmen tried to square circles or find a philosopher's stone which would turn base metal into gold.

But even if my initial reaction is unfair and their merit turns out to be great, the latest British proposals have been put forward far too late to influence opinion in the Community, most of whose members are already committed to a single currency to be achieved by the Delors route, involving the setting up of Eurofed, a European central bank along the lines of the Bundesbank and at arm's length from national governments. They are prepared to go ahead on their own, leaving Britain and the weaker Mediterranean countries to join later if they wish.

Whatever happens in Dublin, the British Government will be presenting its latest proposals to the Intergovernmental Conference (IGC) on Monetary Union, due to start in December. The original 1989 British counterproposals, were entitled An Evolutionary Approach to Economic and Monetary Union. Their essence was a development of the generally accepted Stage One of the Delors Plan. This starts on July 1 and involves membership of the Exchange Rate Mechanism by every member – a commitment strongly reiterated for Britain by the Chancellor, John Major, last night.

If there is a Single Financial Area, with no exchange or capital controls, and realignments become rarer and eventually disappear, the different European currencies will become effectively interchangeable; and the EMS could evolve into a system of permanently fixed exchange rates.

By then (although the 1989 Treasury Paper did not draw the inference) the pointlessness of having 12 different kinds of pieces of paper and coin would become clear, and as the Bank of England Governor said yesterday: "Europe should move to a single currency as quickly as possible."

There is thus a continuum running from: the early version of the EMS as a system of managed exchange rates; to the EMS of recent years with its emphasis on avoiding realignments; to the EMS of tomorrow where realignments are eliminated; to the EMU of the day after tomorrow with irrevocably fixed exchange rates, and finally a common currency. *The biggest single transfer of sovereignty is in joining the EMS.*

The British Government's emphasis shifted to the "evolutionary approach" when it realised how extremely reluctant people are to give up a familiar currency except at times of hyperinflation and monetary chaos. Unfortunately it has now shifted back to competing currency ideas. But instead of competition between existing currencies the competitive element is to be provided by a 13th one, the so-called "hard Ecu." This is a step backwards.

The ECU's composition

Currency	Amount*	Weights**
Belgian/Lux Franc	3.431	8.11
French Franc	1.332	19.24
Lira	151.8	10.05
Dutch Florin	0.2198	9.49
D-Mark	0.6242	30.33
Danish Krone	0.1976	2.52
Irish Punt	0.008552	1.11
Peseta	6.885	5.42
Drachma	1.44	0.72
Sterling	0.08784	12.25
Escudo	1.04741	0.77
		100.00

* These amounts have applied since 21 September 1989
** Weights based on exchange rates on 19 June 1990

The Ecu is a composite or basket currency. It consists of specified amounts of each Community currency. The relative amounts of the component currencies reflect their countries' economic weight and are normally revised every five years. The amounts were last changed in September 1989, when among other changes the Ecu basket was enlarged to include the Spanish peseta and Portuguese escudo. Even with unchanged amounts, the weights of the currencies constantly change as they strengthen or weaken against each other

The first or Stage One version of the latest UK proposals seems innocent enough. It is for a European Monetary Fund to put Ecu bank notes into circulation based on the existing currency basket. The Fund would act like a currency board and would exchange Ecu notes for Community currencies, keeping an exact basket of national currencies as assets to match the notes issued. Thus there should be no creation of money and no risk to the Fund's solvency. Interest rates would as now be a weighted average of the constituent currencies and the Fund would have no monetary role.

In the more interesting Stage Two, the "hard Ecu" would be created. This would no longer be just a simple basket of currencies, but the Ecu would be defined so that it could never be devalued against any Community currency. If the Mark were revalued, then the quantity of other currencies in the basket would – in contrast to present practice – be increased to maintain its DM value. But should the German currency pass through a weaker phase and the Dutch guilder appreciate at its expense, then the basket would be enlarged to maintain its guilder value.

The "hard Ecu" first emerged in a Report for the Invisible Exports Council by Sir Michael Butler of Hambros and Mr Paul Richards of Samuel Montagu. This was originally presented to Mrs Thatcher on whom I am told on all sides that Sir Michael performed "a magnificent selling job." But Mr Major was anxious to emphasise last night the differences between Butler and the British Government's latest proposals.

In Stage Two the EMF would issue hard Ecu deposits or notes in exchange for national currencies. Initially, the interest rates it would pay would be derived from a weighted average of the interest-bearing deposits it received in different currencies. But eventually, as the market developed, the EMF could in Mr Major's words move to "setting interest rates by the normal central banking techniques, through the creation of money market shortages which would be relieved at the chosen interest rate."

Such techniques presuppose that the hard Ecu would have developed sufficiently towards a European money for banks to wish to hold reserves at the EMF, as they do at the Bank of England or Bundesbank. If the EMF were to develop thus far, then it would be an embryonic European central bank, with all the supranational elements the Prime Minister dislikes. Its objectives could be achieved more simply, and without excursions into unresolved monetary theory, by the Delors route.

The Bundesbank has always opposed parallel currencies, partly out of understandable fears that they would be inflationary, and partly on the grounds that they would be unnecessary. I doubt if any a priori reasoning could determine in advance whether the proposed techniques could eliminate the inflationary danger. But as the head of the Bundesbank, Karl Otto Pöhl, remarked in a memorandum to the Delors Committee, a parallel currency would be useless for day-to-day payments.

Tactically the new proposals risk creating an unnecessary gulf between the UK and the Bundesbank. The latter body has been disposed to make haste slowly by accepting the Delors concept, but making sure that conditions were right before it could recommend to the German people that they give up the Mark. The UK Government would do well to follow the same path.

But the basic objection was best expressed in another Delors memorandum by the head of the Netherlands central bank, Mr W.F. Duisenberg. "Economic and monetary union requires economic convergence and the acceptance of loss of sovereignty implicit in the abolition of the exchange rateas the adjustment instrument. The development of the Ecu into an international currency used in parallel to national currencies cannot enable us to avoid this requirement. Nor can it facilitate its realisation."

But I will give the final word to a report, European Monetary Union, just issued by the Institute for Public Policy Research, the (very mildly) left-wing think tank. The authors' preferred option is some version of the Treasury's original "evolutionary approach." But they then add: "The majority of our European partners now prefer a rapid transition to EMU ... For Britain to remain outside would be the worst of all worlds ... The elimination of exchange rate risk within EMU countries would marginalise the UK as a trading partner. It could also make Britain less attractive for inward investment from the US and Japan ... The role of London as a financial centre would be put at risk." If a gradualist approach is not obtainable, "the UK should accept the majority EC view, since the alternative of standing aside from the whole process would be far worse."

Whichever British political party first accepts this common sense advice will receive some brownie points from Economic Viewpoint.

BOOK REVIEW

Radical school of thought

POLITICS, MARKETS, AND AMERICA'S SCHOOLS
By John E Chubb and Terry M Moe
Published by Brookings Books £23.95 cloth, $10.95 paper.

John Chubb of the Brookings Institution and Terry Moe of Stanford University have a beguilingly simple explanation for the low quality of American public schools. It is, they argue, an inevitable consequence of the US's decision to control public schools through direct democratic processes rather than the market.

A large body of research, they say, shows that effective schools share characteristics such as strong leadership, rigorous academic standards, high levels of parental support, and good discipline. These desirable attributes, moreover, tend to emerge only if schools enjoy considerable autonomy. But this, they claim, is rare in the US because public schools are enveloped in layers of bureaucracy – from local school boards, superintendents and district offices to state education departments and the federal government.

Most reformers, say Chubb and Moe, believe that schools could be "made" better if existing institutions would only impose the right regulations – higher qualifications for teachers, say, or new curriculum requirements. The authors argue that such an approach, which has been tried by many states during the 1980s, is bound to fail. Existing institutions cannot solve the problem because they *are* the problem: the key to better schools is institutional reform.

Chubb and Moe say that public authority must be used to create a system "that is almost entirely beyond the reach of public authority." It is no use delegating powers to schools, parents and teachers because delegated authority can always be withdrawn. So far as possible, powers must be *permanently* transferred to individual schools.

The authors' proposal for reforming US schools has four main elements.

● Deregulating supply. Any organisation that meets minimal criteria (roughly those for accrediting private schools) should be chartered as a public school and granted the right to accept students and receive public money.

● Funds to follow students. Each district should contain a "choice office" which would maintain records of all school-aged children. Schools would be compensated by this office according to the specific children they enrol – disadvantaged students, for example, might be allocated a larger than average subsidy.

● Freedom of choice. Pupils, advised by choice offices, should be free to apply to any public school within their state, regardless of district. Schools would be free to reject particular students provided they respected general non-discrimination rules.

● Institutional autonomy. Schools should be allowed to run themselves in whatever ways they regard appropriate. In particular, no curriculum or assessment requirements should be imposed by state authorities. Accountability would be imposed "from below" by the free choice of parents and students.

These proposals resemble the "choice" reform strategies being introduced in several US states. In Minnesota, for example, students are allowed to attend schools outside their districts, with state and local money following them, provided the receiving district has room and racial balance is not adversely affected.

The Chubb-Moe plan, however, goes a good deal further than anything yet tried. Minnesota is at the cutting edge of reform but it is only allowing students to choose from existing public schools. Chubb and Moe argue that their plan to deregulate the *supply* of public schools would offer huge additional benefits. They also complain that all the traditional institutions of control remain in place in Minnesota: recent changes, therefore, could easily be reversed.

Chubb and Moe support their arguments with a painstaking analysis of a large sample of US schools. They claim this data supports the view that direct democratic control is incompatible with school autonomy and hence with high educational standards.

It is a pity, however, that no attempt was made to internationalise this study. US *angst* about the state of public education has arisen in large part because international comparisons show American pupils in such a poor light. Japanese students, in particular, appear far ahead in rigorous subjects such as mathematics.

The question Chubb and Moe fail to address is why schools in countries such as Japan, West Germany, Sweden and France appear to achieve much higher average standards than those in the US. They have not done so by abandoning democratic control of schools and relying on market mechanisms – which is not to say, of course, that such a strategy might not result in *still better* performance.

Chubb and Moe's reforms could prove effective in the US, a society which has traditionally put a strong emphasis on market solutions and individual choice. But international experience suggests that it would be a mistake to regard them as a panacea. Choice clearly matters, but so do other factors such as curriculum requirements, examination systems, teacher pay and quality, school budgets, parental attitudes, and social circumstances. Complex problems, unfortunately, tend to require complex solutions.

Michael Prowse

OBSERVER

Real French lesson

■ Everyone knows that the French are passionately interested in their language as a vehicle of expression. But the real passion of the French is their absorption in the mechanics of the language: the endless intricacies of its rules of grammar and spelling.

On Friday France will mourn the last of the weekly television book programme *Apostrophes*, which has been chaired for 15 years by Bernard Pivot. But there would be a revolution if he were also to give up his major triumph, which has been to turn the traditional torture of the French classroom, the really difficult dictation, with obscure words and impossible spellings, into a hugely successful international television competition.

Last autumn the country erupted with books (including one by Bernard Pivot), lamenting the wild irregularities of French spelling rules. The controversy became so heated that the Prime Minister's opinion was solicited. Cannily Michel Rocard took refuge by setting up a Conseil Supérieur de la Langue Française.

This week the Conseil has submitted a report which proposes limited "rectifications" on only five precise subjects. They are: the use of the hyphen, the plural of compound words, circumflex accents, past participles, and divers anomalies.

The hyphen will be suppressed in a number of compound words, such as *croque-monsieur* (a French version of Welsh rarebit), *portemonnaie* (purse) and *bainmarie* (a coddling pan); but it will be kept or introduced in other cases, like numbers above 100, such as cent-deux (102).

The circumflex accent will not normally be placed on i or u, as in *île* (isle), *huître* (oyster) or *chaîne* (chain), except in the infinitive of verbs ending in *-aître* such as *naître* or *apparaître*, in the third personal singular of the imperfect subjunctive (wow!), or in five cases where the accent distinguishes between words of different meanings: *crû* and *dû* (from the verbs *croître* and *devoir*), *jeûne* (starve not young), *mûr* (ripe not wall), and *sûr* (sure not on).

As for the use of past participles, the proposed reform is too complex to be understood by foreigners. Divers anomalies (and we do mean divers, not diverse) should not be discussed before children.

Poor old Will

■ We noted the other day a tendency under the new GCSE regime of schools to assume rather more knowledge and understanding among pupils than is perhaps the case. This is not only in economics. Two examples occurred at a well-known London girls school this week. A 15-year-old was asked what she thought of Shakespeare. After a very long pause, she said: "Well, I think that he must have been a very well-intentioned man." Another said that he "lacked sophistication".

Israel CBE

■ Luxembourgers have sometimes shown a certain suspicion that Britain in general, the City of London in particular, and occasionally even newspapers like this one, are out to do down their financial centre. The Birthday Honours List has come to the rescue yet again.

That pillar of the Grand Duchy's financial establishment, Edmond Israel, is now an honorary Commander of the Order of the British Empire.

The 66-year-old Israel, on the board of Banque Internationale à Luxembourg and chairman of CEDEL, the international securities clearing house, has been a tireless booster of Luxembourg. But he has also been promoting links with London. He believes the two money centres are complementary as much as competitive.

Some lines still get crossed, however. At Saturday's Queen's Birthday Ball, Israel was ceremoniously announced as Commander of the British Embassy.

"Can't we have a cold war with someone else?"

Polish polls

■ Poland's top opinion pollster during the 1980's, Colonel Stanislaw Kwiatkowski, has taken a job with GfK, a West German market research group which has just opened in Warsaw.

A discreet dinner at the Bazyliszek restaurant this week celebrated GfK's entry into Poland, the first by a major Western public opinion research company. The Colonel set up CBOS, the Polish Government's own polling centre and probably the first in Communist Europe, in the midst of martial law in 1982.

As his title suggests, he came to the trade from the army. He had been an aide to General Jaruzelski and, during Solidarity's heyday in 1981, had done psychological profiles of the movement's leaders for his chief. Later, his reports of the Communist Party's ebbing support won him little gratitude from the then establishment.

The Colonel now moves to "targeting consumers ar well as distributors", according to the GfK brochure, which also offers a service in "studying attitudes and behaviour among a variety of social groups".

Mr Kwiatkowski, as he is now, no longer in uniform, told the dinner guests that since free market policies have become so important, the company has a major role to play.

Listening intently was Ireneusz Sekula, another nomenklatura refugee. He was the last Communist deputy Prime Minister (in charge of the economy). He is now a shareholder in Polnippon, a consulting company bent on attracting Japanese capital to Poland

Centipedes

■ We knew that the centipede joke ("I like your legs") was old when we printed it on Tuesday. What brought it to mind is that it appeared in cartoon form in the current issue of the New Yorker, which sometimes prints even older jokes than Observer. Several readers have now reminded us of the variants.

For example, what the male centipede actually said as the female centipede passed by was: "That's a pretty pair of legs, pair of legs, pair of legs," up to 50. For undisclosed reasons, this reader recommends saying it accelerando during the collect on Quinquagesima Sunday (that is, the one before Lent).

Another reader reminds us of the female millipede. "No! No! No! A thousand times No!" she said, crossing all her legs at once.

There is much to play for at the London conference on the ozone layer which opened yesterday, write **David Thomas** and **John Hunt**

Taking aim at a global issue

A wave of industrial investment, costing more than $100bn on some estimates, is almost certain to be triggered by the international conference on the ozone layer which opened in London yesterday.

More important, the 10-day conference is a test case of the world's ability to deal with even more intractable global environmental problems, such as the greenhouse effect. In particular, it will see the first concerted attempt to bind leading developing countries such as China and India into costly environmental accords.

By the glacial standards of *international diplomacy*, governments have already moved with breathless haste since the discovery in 1985 of a hole in the stratospheric ozone layer over Antarctica. The ozone layer filters out ultraviolet light, which would cause an outbreak of skin cancers.

Unusually for a global environmental problem, a scientific consensus about the cause of ozone depletion quickly formed. The culprits were identified as choloroflourocarbons (CFCs) and some other substances widely used in refrigeration, air conditioning, industrial cleaning, fire-fighting and aerosols. This consensus resulted in swift action to curb the use of CFCs, a cooling substance devised for General Motors' refrigeration division in the 1930s.

An agreement in 1987 known as the Montreal Protocol committed participating countries to a phased reduction of CFC use, culminating in a 50 per cent cut in 1986 levels by 1998. After 1992, consumption of halons, widely used in fire-fighting equipment, must not exceed 1986 levels.

Even some environmental groups, normally quick to expose governmental sloth on green issues, have a few kind words for the Montreal Protocol. "The world community has moved faster on this issue than on any other international agreement," says Ms Fiona Weir of Friends of the Earth.

Yet it quickly became clear that the protocol needed strengthening. Scientific evidence mounted of the cumulative damage of CFCs and other substances on the ozone layer. Widespread depletion of the ozone layer in winter over Europe and North America was confirmed yesterday in a report from scientists on the UK Government's Stratospheric Ozone Review Group.

A strengthening of the Montreal Protocol will be the first task facing the representatives of more than 100 countries in London. The European Community, for instance, has agreed to press for a revised agreement which would:

- Phase out all CFC use preferably by 1997 and by 2000 at the latest.
- Phase out halons by 2000, with limited exceptions for essential uses such as aircraft fire extinguishers.
- Phase out carbon tetrachloride, a chemical used in CFC manufacture by 2000.
- Cut by 50 per cent the use of methylchloroform, an industrial cleaning substance, by 2000.

There will be considerable haggling over the fine print. The US, for instance, is understood to be concerned about some of intermediate steps proposed on the way to the final CFC phase-out. It was ahead of most other countries in removing CFCs from aerosols, a relatively straightforward exercise. The next round will force US companies to find substitutes for ozone-depleting substances in more complex and costly areas, notably fridges and solvents used in the electronics industry.

The green groups, such as Greenpeace and Friends of the Earth, have condemned the London conference in advance. *Their central concern is that* the amount of ozone-destroying chlorine in the atmosphere will continue to rise for decades without swifter action than that contemplated by most delegations. They point to the West German plan to phase out CFCs by 1995 as a model of what could be achieved. "The danger is that the Antarctic hole will not be eliminated even before the end of the next century. The timescale is too slow and ignores other damaging chemicals," says Ms Weir.

Nevertheless, even a CFC phase-out by the end of the century will have profound consequences for industry.

Large chemical companies, including Du Pont, ICI, Allied Signal, Atochem, Hoechst and Enimont, account for most of the world's production of CFCs. Many have launched expensive research programmes into CFC substitutes. Du Pont and ICI will soon open their first production plants resulting from this work. Chemical industry estimates of the amount it will have to spend on CFC substitutes by the end of the century are as high as $4bn.

This figure will be dwarfed by industries which use CFCs. Estimates of more than $100bn have been quoted for the total costs of weaning consuming industries such as fridge makers away from CFCs. These are inevitably speculative, although one thing seems certain: they will feed through into higher prices.

Industry's worries about the London conference are twofold: that it will result in chemicals being phased out before substitutes are ready; and that pressure is mounting for controls on some of the substitutes.

ICI's £100m research programme into CFC substitutes, for example, has so far yielded a substance called HFC-134A, which will be used as a coolant in fridges. It is spending £105m on building two plants, in the US and UK, to make this substitute. Its next most promising research lines are into substances, called HCFC-123 and 141B, which could be used in foam-blowing.

However, environmental groups are now demanding controls on these substitutes: the HFC family contributes to global warming and HCFCs also deplete the ozone layer, albeit typically with less than 10 per cent of the strength of CFCs. The London agreement is likely to contain a non-binding declaration backing a phase-out of HCFCs, possibly with a target date.

Talk of controls on CFC substitutes alarms companies such as ICI. Mr Chris Tane, ICI's marketing manager for new fluorocarbons, says the company might scrap plans to make HCFCs if an early phase-out date appeared likely. "Although we accept they will only be transitional substances, even the voices of pressure groups raised against them concern us," he says.

The other big issue in London is how to persuade some of the biggest developing countries to join the 56 nations which have signed the Montreal Protocol. China and India have made it plain that that they will not sign unless the developed world meets the resulting costs.

A big obstacle to developing country participation was removed this week when the US dropped its opposition to a special ozone layer fund for developing countries. Nevertheless, the size of the fund, which could grow to more than $200m over three years, and how it will be administered, still have to be settled. There is much to play for in London over the next 10 days.

The hard road from revolution

Western assistance to Romania hangs in the balance after recent violence, says **Judy Dempsey**

"The events last week plunged the country into a serious moral crisis. A difficult period awaits us...nobody would have thought so on December 22." (Romania Libera, June 19.)

Yesterday's inauguration of Mr Ion Iliescu as President of Romania should have been a festive occasion. Instead, the ceremony was marred by the violence which last week swept through Bucharest.

The frightening way in which miners ransacked the headquarters of the main opposition parties prompted the European Community into freezing economic aid, while the US boycotted yesterday's ceremony. Indeed, the US went so far as to say that Romania's fragile road to democracy had been abruptly ended.

Mr Iliescu and Mr Petre Roman, his Prime Minister who was also yesterday confirmed in his post, disagree. In a defensive speech aimed at reassuring his supporters that he was still in control, Mr Iliescu again spoke of "extremist political groups" who were intent on "organising and co-ordinating according to a scenario for destabilisation."

So far, the authorities have been dilatory in providing evidence to support such allegations. In any case, despite the crackdown on the opposition, Mr Iliescu repeated that he would steer the country towards democracy.

But western diplomats and Romanian intellectuals, who were sympathetic to Mr Iliescu and the ruling National Salvation Front, are sceptical. They have serious reservations about the President's ability, let alone commitment, to lead the country out of the Ceausescu era and into a democratic one. However, advisers to Mr Iliescu insist that stability is the crucial ingredient for building new political, economic and social institutions.

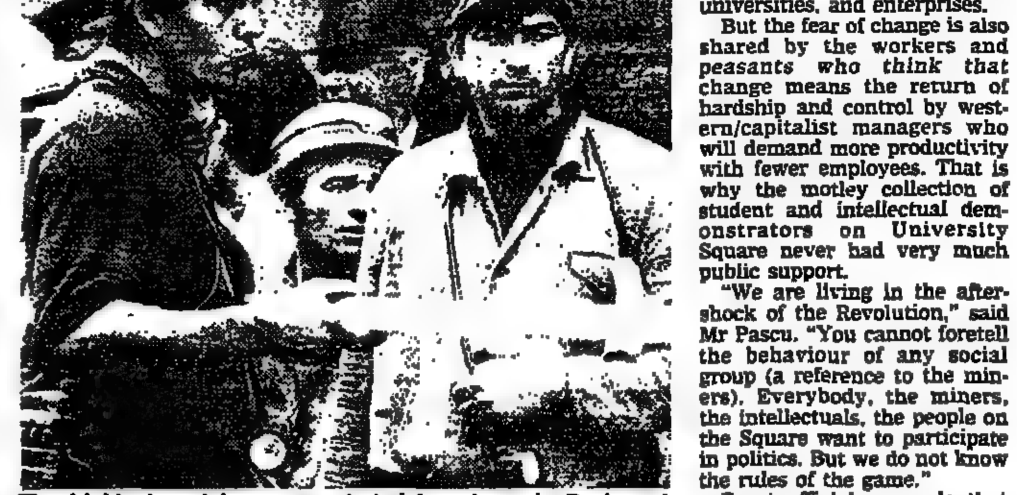
"We need time and stability to build the social and political structures and to create the conditions for democracy," said Mr Ion Pascu, the President's foreign policy adviser.

It was that message of stability and cautious, gradual change which explains why the Front and Mr Iliescu won a landslide victory in last month's elections. Because the Front had held power since December, it was in a position to fulfil promises to the electorate. It gave land back to the peasants and increased the salaries of the miners. Mr Iliescu also held out the prospect of well-stocked shops and an ill-defined freedom.

Besides, there was no coherent opposition to the Front. That explains why any speculation that Mr Iliescu would be forced to resign this week, is, for the moment, misplaced.

Mr Pascu said: "Iliescu is the only chance because he is the most experienced politician. Yes, he is a man of the old communist system, but he is attached to democracy. My frustration is that we are not given this chance to start the democratic process."

But why, unlike the other countries in eastern Europe, are the Romanian authorities finding it apparently impossible to attain stability? One reason is the legacy the Front inherited. Ceausescu destroyed all pockets of civil society and prevented independent institutions from emerging.



The frightening violence perpetrated by miners in Bucharest last week has marred Ion Iliescu's inauguration as President

True, the country's political culture and brief experiment in democracy make unpleasant reading. Between the two world wars, power swung between the traditional parties — the (now opposition) National Liberal Party and National Peasants Party — and the army, the fascist Iron Guard and the monarchy.

But the Ceausescu regime went one stage further towards making any reconstruction of political life almost impossible. The intellectuals were silenced while the regime created a new class: the intelligentsia.

This new cadre, recruited from a peasantry and working class being transformed by forced and rapid industrialisation, enabled the regime to create a class devoted to justifying the regime's existence. They became a bulwark of conformity.

The few who did protest were the intellectuals, a small group whose writings Ceausescu censored. But his disdain for the intellectuals, combined with his determination to prevent the rise of any broadly-based opposition movement, led him into creating a wedge of distrust between the intellectuals and the other social groups.

These trends intensified when Ceausescu, intent in the 1980s on swiftly repaying the country's hard currency debts, was forced to introduce rationing of food, energy, heating and social services.

Although the value and number of privileges decreased, the scope for distributing patronage, particularly to, and by, the Securitate, the hated secret police, sharply increased as the regime sought to maintain its power. As the shortages continued, corruption and bribery intensified.

Hence the December Revolution. It was made by those who had nothing to lose: youth and the intellectuals. It is these two social groups whom Mr Iliescu now needs in order to re-build the country's shattered economy and to repair the country's battered morale.

But as Mr Pascu admits: "We (the intellectuals) are a tiny group." Some of Mr Iliescu's advisers and other politicians, including the Prime Minister, come from old bourgeois, left-wing families, and studied abroad. At best they represent a little island of enlightenment in a Balkan sea whipped up by corruption and fear of change. They are up against a bureaucracy which openly supported the Ceausescu regime and which is now, unashamedly, still carrying out the same functions as before.

Mr Pascu readily admits that the Front has done little to dislodge the most conservative of communist bureaucrats and time-servers from power and influence in the ministries, universities, and enterprises.

But the fear of change is also shared by the workers and peasants who think that change means the return of hardship and control by western/capitalist managers who will demand more productivity with fewer employees. That is why the motley collection of student and intellectual demonstrators on University Square never had very much public support.

"We are living in the aftershock of the Revolution," said Mr Pascu. "You cannot foretell the behaviour of any social group (a reference to the miners). Everybody, the miners, the intellectuals, the people on the Square want to participate in politics. But we do not know the rules of the game."

Front officials concede that their inexperience in dealing with a tiny group of demonstrators made them panic last week. It also proved their lack of control over the police and the army. As a result of the violence, western assistance now hangs in the balance.

Without western assistance, government officials say that the country's intellectuals will remain marginalised, the prospects of any long-term stability will fade and the country will lapse into xenophobia and nationalism. Mr Pascu and other liberals believe the next few months will be crucial in determining the fate of the Romanian revolution.

LETTERS

Patronage problems

From Mr William Plowden.

Sir, I agree with Joe Rogaly (June 15) in deploring the way in which appointments can be made to key posts in British Government, and holders of those posts move to lucrative positions in business, without any effective Parliamentary scrutiny.

As he suggests, a formal written constitution with separation of powers might help. It might also help with the problem Michael Prowse implicitly deplores (June 15) that local government in Britain has no constitutional safeguards against a central government determined to make every single decision in Whitehall.

As Mrs Thatcher has realised, in a Government as powerful as the UK's the power of patronage can be used to affect every aspect of national life. It is absurd that we simply have to take every important appointment, to and by Government, as given. True, the separation of powers enables the US Congress to review (and reject) proposed appointments, but we do not need to wait for a rewrite of the British constitution in order to get better scrutiny of appointments.

Parliamentary select committees are inhibited from scrutinising appointments by the weakest of constitutional conventions — and less even by these than by the Parliamentary whips. If Government members on committees were willing to challenge the whips, and if, in consequence, committees made clear, and resolved, that they wished to examine appointments within their areas of competence, the convention that they do not do this would start to erode.

Why should not the Government of the day have to justify its choices of chairmen or members of boards, or civil service permanent secretaries? Why should they not have to speak up for themselves?

The line could by convention be drawn short of Cabinet ministers (though not, perhaps, on their later moves to the City). It could even be established that Parliamentary consent would never normally be withheld. But a reasoned defence of its exercise would be a modest thing to require.

William Plowden,
12 East 86th Street,
New York, USA

Labour policies for industry

From Mr Peter Slowe.

Sir, I was surprised by the extraordinary description in your leader, "Labour and Industry," (June 11) of some Labour policies for industry as a "mish-mash."

Members of the Labour Finance and Industry Group, including a number of leading Labour figures in business and the City, have been involved at every stage of economic and industrial policy development.

Our members have day-to-day experience of high interest rates, the uniform business rate, skills shortages and the £20bn trade deficit. It is they who have helped to work out Labour's new proposals for industry.

The involvement of practitioners, rather than the theoretical economists beloved of Mrs Thatcher, is why Labour now has a clear and coherent medium-term industrial strategy. It includes systematic encouragement for training and investment — not a "nanny state" but the kind of encouragement from government seen in every economy in Europe more successful than ours.

More and more people in the City and in business are joining us now. They see sensible Labour policies as the only way out of their present severe difficulties.

Peter Slowe,
Labour Finance & Industry Group,
46 Beech View,
Angmering, Sussex

Scots belle of the Bank

From Mr Alwyn James.

Sir, For all but a dozen years ot its three centuries, the Bank has been the Bank of Britain in everything except name. It should reflect this in its selection of heroes (Observer, June 11). The Dublin-born Duke of Wellington seems to have slipped through the net, but I cannot recall any Bank of England banknote which has not carried the image of a Scot — Britannia, introduced to British coins in 1667 by Charles II, keen to let his subjects share the buxom beauty of his Scottish mistress, Frances Stewart from Lanarkshire.

His contemporaries, notably Pepys, were offended, but the Bank has been a tolerant supporter of this flaunting of the royal hochmagandies; "la belle Stewart" has been its trade mark for nearly 300 years.

Alwyn James,
51 Findhorn Place,
Edinburgh, Scotland

Tight squeeze in Poland

From Mr George Blazyca.

Sir, Meghnad Desai is correct to assert (Letters, June 15) that a deflationary policy for Poland does not necessarily select for closure only those industries which poison us. It has been a running complaint in Poland since January, when the new economic programme was implemented, that if anything quite the opposite has happened.

Some steelworks have cut back production but none have closed. The "stream" that runs through the centre of Katowice is as black; the air as thick with dust as ever. But in the Lodz textile and fabric conurbation unemployment is among the highest in Poland. Food processing industry output has fallen sharply — the farmers have been up in arms for some time.

Industrial production in the state sector in May 1990 was 28.6 per cent down on May 1989 but for light industry the figure was 41.1 per cent. Food production was down by 22.3 per cent. But the fuel-energy sector saw output decline by a comparatively modest 20.2 per cent. I have seen no figures for metals production.

Second, your correspondents seem to be unaware that the Polish government announced on June 6 a package of adjustments to policy which begin to hint at a change of attitude regarding intervention.

New business will receive preferential tax treatment. The focus of privatisation attention may turn to smaller-scale privatisations (shops, workshops, restaurants) where much can be achieved quickly. Central government will divert more resources to local authority housing and to the dairy industry.

It seems that the authorities have now acknowledged that the squeeze has been both too tight and indiscriminate.

George Blazyca,
Thames Polytechnic,
Wellington Street, SE18

Regaining the savings habit

From the Director-General of the CBI.

Sir, Mr Bernard Miller (Letters, June 15) seems intent on proposing a solution to the wrong problem. So far from British industry needing to get its act together, he seems unaware of the reality of the transformation that has taken place in the past few years.

Mr Miller is just plain wrong in suggesting that exports and manufacturing output are low, and that unemployment is relatively high in the UK. Moreover, many of the factors behind the recent sharp rise in retail price inflation are because of government action.

Specifically, it is not generally understood that this month (for instance) once the official statistics catch up with reality, they are likely to show that the UK produced more in volume terms (excluding oil) than ever in our history, that exports were similarly at an all-time record, and that investment by the private sector — not just in plant and equipment but in skill training and innovation — was also at an all-time record. And, of course, unemployment in the United Kingdom is markedly lower than in almost every other important European economy except the Netherlands. In France, for instance, the unemployment rate is 70 per cent higher than here.

Of course there are very serious problems to be tackled — including the underlying causes of our inflationary tendencies, and the balance of payments deficit. The key to both seems to be to restore the level of personal savings to those now experienced in France, West Germany and (even) the US. This would involve an increase in saving of perhaps £25bn a year — a figure strangely reminiscent of the visible trade deficit.

There is nothing wrong with the underlying competitiveness of British manufacturing. Rather a nation of borrowers and spenders needs once again to discover the habit of saving and investing as individuals — as the CBI has long been urging, and the Governor of the Bank of England reinforced just last week.

John Banham,
Confederation of British Industry,
Centre Point,
103 New Oxford Street, WC1

FINANCIAL TIMES
Thursday June 21 1990

1992 SINGLE MARKET

End in sight for EC customs forms

By Lucy Kellaway in Brussels

FROM 1992 European Community importers and exporters will no longer need to fill in tens of millions of customs forms a year following an agreement by industry ministers yesterday to end all customs procedures.

The agreement will mean that all community goods will be able to move freely from one member state to another without the cumbersome legal and administrative system that has been in place for the last 20 years.

Goods coming from third countries will still be subject to some procedures, although these will be considerably fewer than before.

The measure will reduce the costs on companies of transporting goods within the Community, and is an important step towards achieving a single market.

Mrs Christiane Scrivener, Commissioner responsible for customs, said that the agreement showed a clear change of attitude in member states and a willingness to abolish barriers by 1992.

In the last single market council of the Irish Presidency ministers passed about a dozen measures. However, Mr Martin Bangemann, the internal market Commissioner, warned ministers against any smugness. He said that only 18 of the 279 measures of the Single Market White Paper had been adopted by all member states.

Agreement was reached on measures that will allow pensioners, students and playboys to settle in a country of their choosing as long as they can support themselves and do not become a burden on their new home state.

The ministers also approved two measures on company accounts, making it easier for small and medium-sized companies to comply with the existing disclosure rules set out in the fourth and seventh directives, and extended the scope to include some partnerships.

The thresholds beneath which companies do not have to meet the reporting requirements have been lifted and the terms softened.

Meanwhile, partnerships whose owners are limited companies will start having to produce published accounts. This will include some 50,000 GMBH (limited partnership) companies in Germany, which hitherto have been excluded from the rules.

The existing loophole, allowing companies to become partnerships so as to avoid the tough reporting requirements of a public company, will be closed.

Walesa tells why he wants to be President

By Christopher Bobinski in Warsaw

MR LECH WALESA, the Solidarity leader, yesterday confirmed that he wanted to become Poland's President, saying the country needed a strong leader as it moved to a free market system.

"Today as we change our system, we need a president with a decisive and sharp axe who leaves the democratic process in place but is ready to step in wherever flaws appear," Mr Walesa said in an interview with the Gazeta Wyborcza, Poland's largest newspaper.

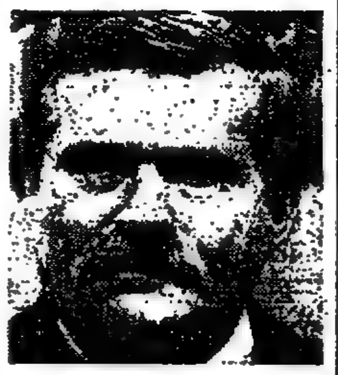
His interview underlines the continuing clash between Mr Walesa and his former Solidarity advisers, including Mr Tadeusz Mazowiecki, the Prime Minister, who want to delay Mr Walesa's accession to the presidency for fear that their role will be reduced.

"I do not want to be president [but] I will have to be president," Mr Walesa said. "I could have saved half of Poland from those who have been stealing while the system is being changed," he added, referring to former Communist Party officials who are accused of having used their position to establish private companies.

He challenged his political rivals to set up a separate party in preparation for forthcoming elections sometime in the next year, rather than hiding behind the broad label of Solidarity. "Now I will create . . . a war at the top. It is a war that I want to win."

Last weekend, Mr Mazowiecki appealed to the country's civic committees – which last year successfully ran Solidarity's parliamentary campaign and are the best organised electoral machine in the country – to consider establishing a formal movement to support his government. Mr Walesa said, however, that this created the risk of a one-party system.

Prague reformer, Page 2



Lech Walesa: threw down a challenge to his political rivals

Bush says G7 will discuss aid for Soviets

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday confirmed that next month's Group of Seven heads of government summit in Houston would discuss western aid for the Soviet Union, but he warned against expecting "some bold new initiative."

Both Chancellor Helmut Kohl of West Germany and President François Mitterrand of France have urged that the issue of economic co-operation with the Soviet Union should be high on the Houston agenda.

The US draws a distinction between what an individual country like West Germany does to help Moscow, which it supports, and an international initiative involving the US, about which it remains highly sceptical.

Speaking in Alabama, Mr Bush noted European interest in the subject, but said there were "some formidable obstacles." He was not planning a new initiative.

"I recognise that support from the west can help the economy. But there's an awful lot of reform that has to take place in the market and in the distribution systems. There's some political problems that we have that I've discussed very frankly with Mr Gorbachev - not least of them $5bn a year going to Cuba."

President Bush's advisers are still discussing how the US will respond at the Houston meeting on July 9-11 to the Franco-German call for substantial support for the Soviet Union. One possibility is that individual countries will be encouraged to do what they want, whereas any co-ordinated effort might be returned for further study and discussion.

During talks today and tomorrow with Soviet, German, French and British foreign ministers, Mr James Baker, US Secretary of State, will discuss western support for Moscow as part of his nine point package of reassurance that a unified Germany within Nato will not threaten Soviet security.

US officials said yesterday that the package could include West Germans paying for housing Soviet soldiers withdrawn from East Germany.

The British view, according to Mr Francis Maude, a Foreign Office Minister of State visiting the US, is that there is a case for West Germany taking steps to provide assistance which does not apply to others, but a co-ordinated unified approach "will have to wait".

Soviet warning, Page 2

Moscow to sell shares to foreign investors

By Leyla Boulton in Moscow

THE SOVIET GOVERNMENT has enacted legislation allowing the establishment of joint-stock companies and the sale of stocks and bonds to Soviet and foreign investors.

The legislation, signed on Tuesday by Mr Nikolai Ryzhkov, the Soviet Prime Minister, was described as an "important step" towards a market economy.

Details are expected to be made public in the next few days.

The move is in response to the Soviet parliament's demand that the Government provide a comprehensive package of market-orientated reforms by September. The Supreme Soviet also empowered President Mikhail Gorbachev to issue interim legislation by decree.

The document, which has to be confirmed by parliament but which was described as being already in force, means that existing state enterprises can turn themselves into joint-stock companies.

State enterprises will be allowed to keep the capital they raise for plant modernisation and other purposes but the state will get money back later, although it was not immediately clear how.

Foreign companies and individuals will be allowed to buy shares along with Soviet investors. Previously, Soviet enterprises have been allowed to issue shares only to employees.

The Soviet Union's leading heavy truck manufacturer, Kamaz, announced last month that it planned to sell shares to Soviet and foreign investors to modernise plant and compete on international markets.

Mr Ion Iliescu bows before the national flag in Bucharest yesterday after being sworn in as the country's first elected president. Mr Iliescu pledged to keep the country on the road to democracy and to end its "its moral decay".

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	29	84	Dallas †	S	24	75	Madeira	C	20	68	Prague	S	28	82
Algiers	S	31	88	Dublin	F	16	61	Madrid	S	25	77	Reykjavik	C	15	59
Amsterdam	F	19	66	Dubrovnik	S	24	75	Majorca	S	26	79	Rhodes	S	27	81
Athens	F	28	82	Edinburgh	F	18	64	Malaga	S	30	86	Rio de Janeiro		–	–
Bahrain	S	34	93	Faro	S	22	72	Malta	S	28	82	Rome	S	28	82
Barcelona	F	24	75	Florence	S	32	90	Manchester	C	17	63	Salzburg	S	27	81
Belfast	F	16	61	Frankfurt	R	19	66	Melbourne	C	13	55	S'Francisco †	S	14	57
Belgrade	S	30	86	Geneva	C	17	63	Mexico City		–	–	Santiago		–	–
Berlin	S	25	77	Gibraltar	S	25	77	Miami †	S	28	82	Seoul	R	23	73
Biarritz	F	19	66	Glasgow	C	15	59	Milan	F	26	79	Singapore	S	32	90
Birmingham	F	19	66	Guernsey	F	15	59	Montreal †	C	13	55	Stockholm	C	18	64
Blackpool	R	15	59	Helsinki	S	19	66	Moscow	C	12	54	Strasbourg	R	18	64
Bombay	F	31	88	Hong Kong	F	31	88	Munich	S	25	77	Sydney	S	17	63
Bordeaux	F	20	68	Innsbruck	F	26	79	Nairobi	F	25	77	Tangier	F	22	72
Boulogne	F	18	64	Inverness	R	13	55	Naples	S	31	88	Tel Aviv	F	26	79
Bristol	C	13	55	Isle of Man	R	12	54	Nassau		–	–	Tenerife	F	25	77
Brussels	C	19	66	Istanbul	S	26	79	Newcastle	C	17	63	Tokyo	R	27	81
Buenos Aires		–	–	Jersey	F	15	59	New Delhi	F	34	93	Toronto †	S	15	59
Budapest	F	28	82	Johannesburg	S	14	57	New York †	S	19	66	Tunis	S	36	97
Cairo	F	30	86	Las Palmas	S	24	75	Nice	F	23	73	Valencia	F	31	88
Cape Town	C	13	55	Leeds	C	17	63	Nicosia	S	26	79	Venice	S	25	77
Cardiff	C	13	55	Lisbon	F	22	72	Oporto	F	19	66	Vienna	S	26	79
Chicago †	C	17	63	Locarno	C	21	70	Oslo	F	21	70	Warsaw	F	28	82
Cologne	R	16	61	London	C	18	64	Paris	C	19	66	Washington †	S	20	68
Copenhagen	R	18	64	Los Angeles †	C	16	61	Peking		–	–	Wellington	C	10	50
Corfu	S	28	82	Luxembourg	C	15	59	Perth	S	17	63	Zurich	C	18	64

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Gorbachev told to go

Continued from Page 1

remarks meant he would he not stand again. "It was a natural comment, and I think, due to the criticism voiced against him," he said.

One western diplomat commented: "This falls into a pattern of Gorbachev being touchy about himself, saying 'If you don't like me I can resign', then the flurry dies down and he doesn't resign. I would expect him to stay put at the July congress and beyond."

The declaration by Uzbekistan parliament proclaiming its sovereignty and the supremacy of its republican laws over Soviet laws is unlikely to pose as immediate a challenge to the Kremlin as Mr Boris Yeltsin's Russia, which is by far the Soviet Union's largest and richest republic.

Mr Yeltsin yesterday told the Communist Party daily Pravda that he might suspend his party membership. This would be the first time a top Soviet official has sought to be free of the influence of the Communist Party, which until recently was the only legal party in the country.

He felt he might be more able to represent all Russians in his new post as President of the Russian Federation if he were outside the party, Pravda added.

US breaks off dialogue with PLO in protest at terror raid

By Lionel Barber in Washington

THE BUSH Administration has decided to break off its 18-month dialogue with the Palestine Liberation Organisation in protest over the PLO's failure to condemn a terrorist attack launched last month against Israel.

With relations between Washington and Israel already strained, the suspension of contacts with the PLO amounts to a severe, though not necessarily fatal, blow to the Administration's Middle East peace initiative.

For the past 18 months, the US has sought to pursue a more even-handed policy aimed at persuading both antagonists to support an Israeli-Palestinian dialogue on elections and other interim arrangements for the occupied territories of the West Bank and Gaza strip.

But the effort has been deadlocked for several months due to the rejection by Mr Yitzhak Shamir, the Israeli Prime Minister, of the PLO's demand for a role in choosing the Palestinian representatives for negotiations.

US officials said the suspension of contacts with the PLO became inevitable when Mr Yassir Arafat, the PLO leader, refused to condemn an abortive guerrilla assault in late May on an Israeli beach. But they stressed that the move could easily be reversed if Mr Arafat formally denounced the raid and disciplined those responsible.

Israel has long opposed the official dialogue in Tunis between the US and the PLO, which Washington initiated in December 1988 when Mr Arafat formally renounced terrorism and recognised Israel's right to exist. The Bush Administration has sought to preserve its contacts, arguing only recently that PLO responsibility for recent terrorist incidents was unproven.

While there is some trepidation in Washington that the suspension of the dialogue could provoke further violence in the occupied territories, some officials hope that it could, paradoxically, encourage the hardline Mr Shamir to be more forthcoming.

This week, the White House disclosed that President Bush had sent a long letter to Mr Shamir congratulating him on forming his new Government and urging him to renew the quest for peace, using his own elections proposal of May 1989 as the starting point.

Foreign policy unlikely to placate critics, Page 6

Ozone layer depleted faster than expected

Continued from Page 1

short term even with a cessation of CFCs. It says CFC substitutes, which have much less impact on the ozone layer, must be controlled if the benefits of cutting CFCs is not to be Dr Tolba is pressing for the present generation of CFC substitutes to be phased out by 2040.

Much of the discussion at the conference will centre on proposals for an aid programme for the developing countries, totalling about $240m over three years. Dr Tolba said China had cut its requirement to $42.1m over three years against its previous estimate of $1.5bn-$2bn over a decade.

India, however, which had initially asked for a high figure similar to China, had not yet put forward a revised estimate.

It is considered essential that both these countries sign the protocol as large-scale use of CFCs by their vast populations would negate any international agreement to protect the ozone layer.

UK proposes EC currency

Continued from Page 1

comed the Government's plans: "This ought to put us back into the middle of the discussion" on EMU," he said.

But it was also clear that many details remain to be fleshed out. These include the nature of the EMF and the time scale over which such developments would take effect.

Yesterday, in evidence to a House of Lords committee, Mr Robin Leigh-Pemberton, Governor of the Bank of England, suggested that it could take four or five years before Stage 1 ended and Mr Major's proposals could take its place.

THE LEX COLUMN

Forget the paper, take the cash

The £1bn sale of Reedpack looks like a high water mark for the buy-out phenomenon in the UK. Some buy-outs, such as Magnet, have ended with managers forfeiting their entire investment. Reedpack is at the other end of the scale: the core group of managers are getting back 34 times their original stake. We have heard much of the entrepreneurial pluck of managers mortaging their houses to buy the business. In less than two years, it seems, each Reedpack director can buy the whole street.

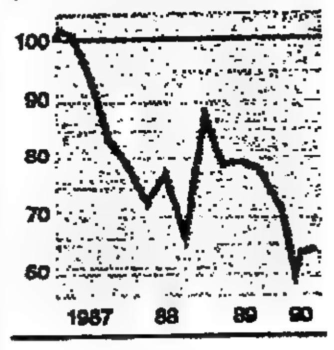
The deal offers a curious sidelight on industry versus stock market valuations. It was always Reedpack's declared intention to return to the market by flotation. The timing ought to be ideal, since the UK institutions are chronically long on cash and short on stock. But Reedpack's advisers had as their realistic target the multiple of ten times earnings reached by the other big recent paper flotation, Wiggins Teape. SCA is paying twice that.

It seems the more surprising that SCA can claim only 3 per cent earnings dilution this year and a 10 per cent uplift by 1992, especially since no major closures or disposals are envisaged. But whereas SCA has already forecast a 10 per cent fall in its own earnings this year, Reedpack expects its operating profits growth to remain in double figures. And as a Swedish company, SCA has an attitude to borrowing remote from UK practice. The deal brings its stated balance sheet gearing from 35 per cent to 25 per cent: but that is the ratio of equity to debt.

Then again, SCA may simply have been driven by fear of missing the tide of consolidation in the European paper industry. If so, the deal has a certain symmetry: Reed International, which sold Reedpack in the first place, promptly spent the proceeds on the then fashionable consolidation play, publishing assets.

Unigate

Share price relative to the FT-A Food Manufacturing Index



Globe

The battle for control of the Globe Investment Trust is now down to the last few pennies. A final bid of 210p per share would probably just have clinched it, whereas 205p looks a shade too mean to stampede the key institutions into accepting immediately. Since battle commenced a couple of months ago, the FT-SE 100 has risen by 8.4 per cent and the offer has been raised by 7.3 per cent. If the British Coal pension funds really were offering to buy Globe at a mere 4.4 per cent discount, there would be no contest. But the discount is probably nearly twice as wide, which explains the market's hesitation.

The coal men must be hoping that some time over the next fortnight the market will take a nasty dip and 205p will do the trick. But the fact that they have had to raise their bid at all underscores their own weakness. Having built up substantial liquidity to finance the bid, they cannot themselves be looking too good in performance terms this quarter. As for Globe, life is never going to be the same again whatever the outcome. The big institutions can look after themselves; but small shareholders have another fortnight at least to make up their minds.

Unigate

A higher than expected pension surplus lifted Unigate's shares 2 per cent yesterday; otherwise, the results contained little to excite the market. Despite its brand names, Unigate has not broken out of the rut in which its various commodity cycles cancel each other out. Chicken profits have recovered after the salmonella scare but US cheese has been affected by a rise in milk prices. Bacon and ham sales were up but high interest rates hit the non-foods distribution businesses. And a bumper property profit was offset by lower profits from dairy after the disposal of almost half the UK operations.

A more normal level of property profits this year may mean that the pre-tax figure is unlikely to do more than edge up from £105.5m to £108m. The prospective p/e of just under 10 may be sustained by two long-term hopes: that Mr Goodman may make a bid or pass his stake on to someone else who will; and that the rumoured break-up of the Milk Marketing Board, which is unlikely to happen before the next general election, will benefit milk buyers. But the 8.5 per cent yield and the limited downside for profits should support the rating in the meantime.

STC

One need only look at how Wall Street knocks computer stocks at the slightest hint of bad news to understand the UK market's twitchiness about yesterday's modest profits warning from STC. First half results will be hit by some £20m of launch costs for a couple of new ICL products; British Telecom seems finally to be using its muscle to squeeze its suppliers: and some involuntary stock building means that instead of £90m of net cash STC is having to borrow a little. However, if full year profits are going to be flat, as STC seems to be hinting, the 15 per cent markdown in its share price over the past week has been overdone.

The big worry is that since STC is one of the most profitable companies in a highly competitive business, its margins are exposed. Add in the uncertainties about how long ICL can continue to buck the downturn in the rest of the computer industry, and it is easy to see why STC shares are vulnerable to the occasional rumours.

Davy

Davy seems to have learnt nothing from its long record of mishaps. Shareholders were as unprepared as ever for yesterday's bad news – a £25m loss in the offshore division – and the company was as unforthcoming as ever about details and reasons for the disaster. Small wonder that the company's shares have underperformed the FT-A All-Share index by 60 per cent since the start of 1982, when the first of its 1980s problems occurred.

Contracting stocks have always suffered from doubts about the accounting treatment of profits and the risks of cost over-runs on large projects. Ironically, Davy was just beginning to rebuild its reputation after its problems with a West German desulphurisation plant in 1988. Now the company will have to wait a long time before City confidence can be regained. Although the boost from the French acquisition Clecim will push profits to £40m this year, the shares look overvalued on a prospective p/e of 9.5.

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INSIDE

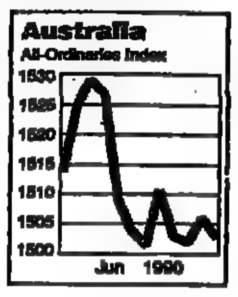
Siemens rallies to the revolution

Siemens begins trading today on the London stock exchange. It is a new departure for the West German electronics company, proud of its 143-year history and tradition of solid continuity. Yet recently the company has undergone far-reaching changes, including a management reorganisation, a wave of takeovers and an increased pace of internationalisation. David Goodhart talks to Karlheinz Kaske, Siemens chief executive (above), about the "conservative revolution." Page 20

Energy goes out of demand

Recent news of a slowdown in energy demand may be sweet music to the ears of environmentalists, but is bound to strike a discordant note with oil barons. Steven Butler looks at a report just released which shows that higher oil prices, sluggish economic growth and an exceptionally warm winter all contributed to the slowest growth in energy demand since 1983. Page 26

Pessimistic in Perth



The brief flicker of hope most investors felt as the troubled Australian All Ordinaries rallied in May, was snuffed out as the index began to slide in June. The catalyst for this second decline comes from growing scepticism about unexpectedly robust growth figures, which show an apparent turnround in the economy. Kevin Brown reports on what looks likely to be a weak market until the end of the year. Back Page

Housing slump hinders Hambros

The slump in the UK housing market put a damper on profits at Hambros, the merchant banking, financial services and estate agency group. Losses on the retail financial services side, which includes the group's estate agency business, helped to hold earnings growth to 10 per cent pre-tax. But the group has taken measures to make the estate agency business "leaner and meaner," say executives. David Lascelles reports. Page 25

North Sea troubles hit Davy

Problems with a contract to build a North Sea oil rig restricted profit growth at Davy Corporation, the UK engineering contractor, to less than 5 per cent. While turnover grew by 26 per cent to £1.22bn ($2bn), pre-tax profit rose from £28.8m to £30.1m. Yet the group had good news on the North American and the Far Eastern fronts. Jane Fuller takes an in-depth look at the results. Page 25

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	560	+	11
Didier-Werke	232	+	13.5
Douglas Hldgs	682	+	28
Karstadt	693	+	18
Falls			
Bayer	278.7	–	14.1
Mannheimer Vers	850.5	–	29.5

NEW YORK ($)			
Rises			
Abbott Labs	39 3/4	+	7/8
Binks Manu	41 3/4	+	2
Motorola	86	+	1
Falls			
Chevron	69 7/8	–	1 3/4
Cons Freight	14	–	1 3/4
IBM	117 3/4	–	1

New York prices at 12.30.

PARIS (FFr)			
Rises			
Esso	764	+	30.1
Jean Lefeb	1070	+	45.7
Locindus	485	+	20.8
Falls			
Fives Lil	365	–	23.5
Hachette	331.1	–	28.3
Vallourec	298.1	–	15.1

TOKYO (Yen)			
Rises			
Calpis Food	1620	+	200
Sanwa Daiei El	1190	+	130
Toyo Boseki	3400	+	250
Falls			
Nippon Tel Bek	1780	–	120
Tokyo Seit Mil	1110	–	70
Towa Sankiden	1900	–	110

LONDON (Pence)			
Rises			
BAA	435	+	14
Barclays	402	+	12
Cont Stat'nery	56	+	6
Dickie (J)	75	+	10
Douglas (RM)	384	+	13
Park Food	320	+	16
Royal Ins	513	+	10
Sketchley	183	+	12
Unigate	312	+	7
Falls			
Brit Aerospace	520	–	26
Davy Corp	234	–	14
GEC	187	–	11
Hardy Oil&Gas	176	–	8
ICI	1182	–	30
Kingsgrange	29	–	5
Lucas Inds	158	–	8
Priest,Marians	168	–	17
Rosehaugh	199	–	7
STC	239	–	19
Smiths Inds	243	–	8
Strong&Fisher	23	–	5
Sunleigh Elec	45	–	5
Wellcome	633	–	34

Philips rethinks its data systems strategy

By Alan Cane

PHILIPS of the Netherlands, Europe's largest electronics group, yesterday announced a drastic restructuring designed to stem substantial losses in its information systems division and return the unit to profitability by 1992.

The losses have been identified as a principal cause of a sharp fall in Philips' first quarter profits and the chief reason why earnings for the present year are expected to be poor. The company has not publicly quantified the division's losses but Mr Cor van der Klugt, Philips' outgoing president, has said they amounted to many hundreds of millions of guilders

The company said the restructuring would involve strategic changes in the mix of products and services that the division would offer, coupled with a heavy cost-cutting programme.

It will mean the loss this year of about 160 jobs in the company's Data Systems product group in Apeldoorn, Holland, and a further 50 jobs in the Apeldoorn infrastructure. The company said it hoped to avoid forced redundancies through a special lay-off scheme for older employees.

Philips Information Systems employs about 1,300 people in Apeldoorn, 700 of them in the Data Systems group, and a total of 15,000 world-wide.

Announcement of the restructuring follows the collapse of talks between Philips and Olivetti of Italy. It was thought that those talks could have led to Philips transferring its computing activities to Olivetti in exchange for an equity stake in the Italian company. The Dutch company is believed to be continuing its talks with other European computer groups.

The essence of the planned changes in products and services is a move to industry-standard systems and systems integration – two paths that other troubled information-technology organisations are taking to improve their fortunes. Examples include Norsk Data of Norway and Nixdorf of West Germany, now part of Siemens.

Industry-standard or open systems make use of standard semiconductor chips and software which enable them to be built for a fraction of the cost of proprietary designs. Systems integration attempts to solve customers' computing problems by putting together the most appropriate hardware and software from several sources.

"The development of our own system components and products will be drastically reduced," Philips said.

The Data Systems group produces minicomputers, the product area most at risk since the advent of high-powered personal computers and workstations, which are able to tackle much of the work of a minicomputer at a fraction of the cost.

Philips announced its restructuring programme only weeks before Mr Jan Timmer will take over as president. He will replace of Mr van der Klugt who is retiring early.

Financial analysts were surprised by the fact that Philips seemed to have little forewarning of the losses in its computing division.

However other companies hit by the move to high-powered personal computers and open systems also seemed to have been surprised by the impact.

Money really does grow on trees

Maggie Urry and Robert Taylor on SCA's £1bn bid for Reedpack

YESTERDAY'S £1bn-plus agreed takeover of Reedpack, the UK paper and packaging group, by Svenska Cellulosa (SCA), the Swedish pulp, paper and packaging company, is the latest in a wave of merger moves that has gripped the European paper industry.

The rash of mergers has become increasingly frenetic. And the price SCA has paid for Reedpack – at around £1.045bn ($1.8bn) it is 20 times historic earnings – shows just how keen the protagonists are to do deals.

A look at what has motivated the merger mania and at the current state of the paper industry, explains why there is now an element of desperation to find target companies. It also suggests there are many more deals to come.

First, the activity demonstrates a fundamental change taking place in the structure of the paper industry. The world's largest pulp and paper groups have generally been based near the source of their most important raw material – the forests of northern Europe and North America.

These were often places with relatively sparse populations. Now there is a shift to site paper mills nearer the consumer. This is partly a desire to get closer to end users, one way of protecting against the volatile fortunes of the pulp and paper industry – witness SCA's 1988 acquisition of Peaudouce, the disposable nappy maker.

In addition, with recycling playing an increasingly important part in paper-making, the consumer of paper has also become the provider of raw material in the so-called "urban forest." The European Confederation of Pulp, Paper and Board Industries says that in 1989 half the raw material for making paper and board in the European Community came from recycled fibre.

Some US states have now set minimum recycled-fibre content levels for certain types of paper such as newsprint. Some European governments are considering measures along the same lines. Thus, there is an incentive for newsprint makers to expand into recycling.

Reedpack makes newsprint from recycled fibre at its Aylesford mill in Kent. It is also planning to build a large machine there to produce annually another 250,000 tonnes of newsprint made from 100 per cent recycled fibre.

SCA, by contrast, is a leading supplier of newsprint made from virgin fibre in Sweden. By buying Reedpack, it can immediately become a recycler. That is one explanation for yesterday's deal.

Equally important is the advent of the EC single market. Papermakers are now looking at the EC as one market with a population as large as that of the US.

As well as looking at a huge potential market, paper companies domiciled outside the EC fear that the single internal market may make life harder for them.

They could be accused of dumping products in the Community or could find barriers to entry rising.

"If Sweden will not be a member of the EC," says Mr Bo Berggren, president and chief operating officer of Stora, the largest European pulp and paper group, "Stora must be."

Such reasoning has motivated several deals, including:

● Stora, of Sweden, paying DM4bn ($2.4bn) for Feldmühle Nobel of West Germany.

● Scott Paper of the US setting up a $250m joint venture to take over Feldmühle's tissue paper interests.

● Kymmene of Finland's acquisition of Chappelle Darblay, worth around FFr1.3bn ($230m) – a deal in which Stora originally planned to take a 50 per cent stake but pulled out when it bought Feldmühle.

● The Dutch Buhrmann-Tetterode's £154m takeover of Robert Horne, of the UK.

● Fletcher Challenge of New Zealand's successful £289m bid to acquire UK Paper. Many groups have also made cross-border investments. Nearly all the new paper-making capacity built in the UK over the last few years, for example, has been financed by Nordic interests.

But it is not only in Europe that deals are being done. Takeovers such as Stone Container buying Consolidated-Bathurst and Georgia-Pacific buying Great Northern Nekoosa were essentially North American deals. There is a worldwide urge to merge as the pulp and paper industry becomes increasingly global.

"In our business, size is very important," says Mr Berggren of Stora. Many grades of paper are traded internationally in large volumes and compete heavily on price. This means the lowest-cost producer makes the most money and is best able to withstand the downturns in the paper industry cycle, which can be severe.

The industry has just come to the end of the longest upswing in its fortunes that anyone in the business can remember. As profits are beginning to fall, the motivation for mergers is rising.

Size brings economies and makes production planning simpler. The international nature of the industry leads to multinational groupings.

Size is also vital when it comes to investment. A new paper machine is costly – the one Reedpack has been considering building at Aylesford would cost £250m. This scale of investment can only be made by a large, financially strong group – which is why Reedpack had originally sought a joint venture partner for the machine.

All these motivating factors will become even more pressing in the future, ensuring that competition between the large, aggressive paper groups will grow as the number of likely targets dwindles.

Peter Williams (left) hits the jackpot as Sverker Martin-Löf, chief of SCA, springs in for Reedpack

Big returns from the buy-out

By Andrew Hill in London

THE BIGGEST individual winners in the Reedpack deal are the group's chief executive, Mr Peter Williams, and top managers at the time of the buy-out two years ago.

Mr Williams will receive more than £5m ($8.5m) – which he will take in the form of SCA convertible shares – against an original investment of just £150,000, while six board directors and three managers will each take home more than £2m.

Altogether, management and employees are set to receive about £70m. The company's top 300 managers have earned about 34 times their original investment. Reedpack said yesterday that the typical general manager of a plant or site will have made a profit of £250,000 to £300,000.

Some 3,000 employees of the group are expected to receive more than £10m between them. Together with the 300 managers and board directors, they invested £6.5m in the company.

Institutional investors' original stake in Reedpack has multiplied, like that of the employee shareholders, by about 2.5 times.

Thus, CIN Industrial Investments, which runs the British Coal pension funds, stands to receive more than £55m for its ordinary, preferred and preference shares. Citicorp Capital Investors Europe should get in excess of £31m, and Investors in Industry (3i) more than £40m. Globe Investment Trust, for which the coal funds are bidding, will receive £29.9m.

Reed International, the largest shareholder, is getting back its £60m investment in Reedpack's preference shares and £34.9m for a 10 per cent interest in its offspring's ordinary equity capital.

Enso-Gutzeit and Kymmene results, Page 18; Smurfit buys packaging stakes, Page 23

British Coal funds 'fail' in their raid on Globe shares

By Nikki Tait in London

BRITISH Coal Pension Funds yesterday made the long-awaited increase in their £1bn-plus bid for Globe, Britain's biggest investment trust. The announcement was combined with an instruction to its stockbrokers to raid the stockmarket for up to 95m Globe shares. Added to the Coal funds' existing 34 per cent stake this would have taken the bidder to over 50 per cent.

By the close of business, however, it appeared to have failed, by a considerable margin, in this objective. Globe, meanwhile, rejected the new terms and later claimed that its advisers knew of no UK institutions which had sold in the "failed market raid."

The announcement of the increased offer came in the early afternoon, with BCPF raising its cash terms from 191p to 205p a share. The new offer values Globe at £1.11bn, compared with £1.03bn previously.

Earlier in the day, Globe had already announced that, as a result of the agreed offer from Svenska Cellulosa for Reedpack, there was likely to be an increase of 2.8p a share in its net asset value. Globe owns a 5.5 per cent stake in Reedpack, which it acquired for £12m. This had been revalued to £14.6m, but Globe should now realise £29.9m.

BCPF said that it had taken this uplift into its calculations when setting the new terms. It claimed that the new offer was arrived at by taking a basic net asset value of 214p for Globe. It then adjusted upwards for Reedpack and dealing investments and properties. It also made certain deductions for Globe's bid defence costs and the write-off of its holding in British & Commonwealth.

The stockmarket raid, meanwhile, brought an inconclusive result. BZW, BCPF's stockbrokers, declined to say how many shares had been acquired. But the Stock Exchange Automated Quotations service showed 51m shares traded.

Allowing for double-counting that would suggest that upwards of 26m shares changed hands – around 5 per cent-plus of the equity.

BCPF already owns just under 34 per cent of the shares, and had acceptances for a further 1.42 per cent at Monday's close. That took it to 35.4 per cent at that date. Globe's share price ended the day 1p lower at 204p.

Lex, Page 16

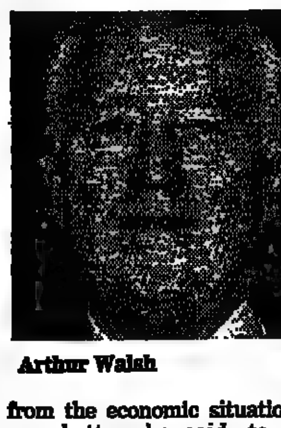
Profits warning hits STC shares

By Alan Cane in London

THE SHARE price of STC, the UK-based information technology group, fell sharply yesterday as the City of London reacted to a profits warning from Mr Arthur Walsh, STC chairman.

He said that analysts' expectations for the first half of the year were too high and should be trimmed back. "It is apparent to the company that the external expectations of profits for the first half of the year are too optimistic," he said.

Analysts had been expecting pre-tax profits of between £95m and £100m ($171.4m) for the first half, but pared back estimates to between £75m and £90m after Mr Walsh's warning. The share price fell from 258p to 239p on the news. Last year, the company made pre-tax profits of £278m on sales of £2.6bn.



Arthur Walsh

Mr Les Cullen, finance director, said the warning was "a recognition that we are not immune from the economic situation." It was better, he said, to bring expectations into line with the facts rather than risk misunderstandings later.

Mr Walsh had said at STC's annual general meeting in May that the company would be profitable in 1990 but that profits would be biased towards the second half. The cause was a slowdown in British Telecom purchasing and heavy development, and launch costs incurred by ICL, STC's computer subsidiary, in the production of new workstations and mainframe computers.

It is also thought likely that local British government authorities, which are among ICL's most important customers, spent heavily on computing equipment last year and will not be able to repeat that level of spending this year as their budgets tighten.

Mr Cullen said the company had already taken steps to counter the slowdown in British Telecom orders including moving some production from its New Southgate plant to the company's Monkstown factory in Northern Ireland. Assembly of facsimile machines for Amstrad had also been assigned to Ulster.

Lex, Page 16

Spaniards buy half share of UK steel trader

By Peter Bruce in Madrid

ALTOS HORNOS de Vizcaya, Spain's second largest integrated steel producer, said yesterday that it had bought 50 per cent of Bishopsgate Steel International, a UK steel trader which has controlling interests in a small steel service group in Birmingham.

The price of the purchase was not disclosed, but it marks a significant effort by the Spanish producer to deepen its penetration of European Community markets before 1992.

Altos Hornos, which owns a 2m-tonne-a-year steelmaking and rolling plant in Bilbao, has also invested in steel distributors in Switzerland, close to the Italian market, and in Portugal. Bishopsgate Steel is based in Leatherhead, Surrey.

Spanish steel producers are particularly active in the UK markets for stainless steels and so-called long products used in construction. Altos Hornos, however, specialises in flat products and is the Spanish market leader in coated strip, galvanised sheet and tinplate.

It said it planned to export some 40,000 tonnes of steel to Britain this year, a sharp increase on 1989. Any further inroads into the UK market would have to be made partly at the expense of British Steel.

The Spanish acquisition coincides roughly with an attempt by British Steel to buy one of Spain's most profitable steel companies, Jose Maria Aristrain, a maker of steel sections.

Earlier this year, Altos Hornos, which recorded sales last year of Pta104bn ($1bn), teamed up with the state-owned Spanish producer, Ensidesa, to head off the British Steel bid. The local consortium was unable to find financing, however, and Altos Hornos said yesterday that it had withdrawn from the attempt.

Ensidesa, however, has said it is continuing to look for a way to take over Aristrain and may have found a partner in Banesto, the domestic commercial bank. Banesto owns Acerinox, Spain's biggest stainless steel maker. The two are understood to have invited British Steel to join their bid for Aristrain.

Procordia to restructure pharmaceutical business

By Robert Taylor in Stockholm

PROCORDIA, the Swedish pharmaceutical and food group, yesterday announced a restructuring of its pharmaceutical business following its expansion through the merger with Pharmacia, the Volvo-controlled company.

Up to 1,500 jobs are to go and cost savings of up to SKr600m (US$99m) are expected over two years as a result of the rationalisation programme to be carried out by the new company, Kabi Pharmacia Pharmaceuticals. This is expected to have initial annual sales amounting to SKr8.5bn and employ about 8,600 people.

Mr Jan Ekberg, president of Kabi Pharmacia, said: "The new company will be a highly competitive pharmaceutical company. Eighty per cent of its sales will be outside Sweden and position us among the 20 largest pharmaceutical companies in Europe."

He added that the restructuring required was in line with the international pattern in the pharmaceuticals industry with a greater devotion of resources to research.

The new enterprise involves the merger of three Swedish companies – KabiVitrum, Pharmacia LEO Therapeutics and Pharmacia Ophthalmics.

The company said that between 500 and 600 of the 1,300 to 1,500 jobs to go would be from foreign subsidiaries, but it gave no details.

However, Kabi Pharmacia pointed out that the trade unions in Sweden were supporting the proposed changes but that the company intended to negotiate on them with union leaders in line with Sweden's labour laws. The net job loss is expected to be achieved through natural wastage.

● Fermenta, the Swedish pharmaceutical and finance group, announced a 38 per cent rise in profits after financial items to SKr76m from SKr55m for the first four months of the year. Turnover rose 30 per cent over the same period to SKr2.23bn.

Nordstjernan falls 75% at four months

NORDSTJERNAN, the Swedish property and construction group, yesterday reported a 75 per cent fall in profits after financial items to SKr118m ($19.5m) for the first four months of 1990, writes John Burton in Stockholm.

Nordstjernan said this week it was considering making a bid for Speyhawk, the UK property group of which it holds 5 per cent.

It blamed the lower profits on poor results from several of its subsidiaries such as Avesta, the stainless steel manufacturer, and the Johnson shipping line. It predicted that profits would be lower this year than last.

Sales increased by 21 per cent to SKr8.2bn, primarily reflecting growth in its NCC construction division. Extraordinary income amounted to SKr248m due to the sale of its subsidiaries, Databolin and Hedemora Separation.

Nordstjernan is restructuring its operations, increasing acquisitions in the construction and property sector while divesting its interests in some non-property areas.

It recently agreed to sell the Johnson Line and related shipping activity to Effoa of Finland. Nordstjernan estimates that the deal will net it an extraordinary income of SKr600m this year.

COMPANY NEWS IN BRIEF

MR GIANCARLO Parretti, the Italian financier, has asked the European Commission to overturn the Paris Government's decision to block his bid for the French cinema group, Pathé Cinéma, writes William Dawkins in Paris.

Mr Parretti, who already owns 46 per cent of the group that gives its name to his Hollywood studio, agreed last month to pay FFr512m for another 52 per cent of the cinema company owned by the Rivaud banking concern.

Mr Pierre Bérégovoy, the Finance Minister, last week exercised his right to veto the deal, on the grounds that it "was of a nature to call public order into question."

Mr Parretti is asking Brussels to lift the ban on the grounds that he believes it contrary to European Community anti-discrimination rules.

■ The West German federal Cartel Office approved the takeover by Bayerische Motoren Werke and Rolls-Royce of the UK of the aerospace technology activities of Klöckner-Humboldt-Deutz, Reuter reports.

The Cartel Office said the takeover would stimulate competition in the military and civilian aero-engine market.

BMW and Rolls-Royce announced the planned joint takeover last month.

■ Banco Central, the Spanish bank, and UAP, the French insurer, signed a three-year co-operation agreement, Reuter reports.

Banco Central will take a 25 per cent stake in UAP Iberica and UAP will acquire 25 per cent of the Spanish bank's insurance subsidiary Vasco Navarra.

Mr Alfonso Escamez, Banco Central chairman, said the longer-term goal was to set up a joint holding company to expand in markets in Europe and Latin America, as well as Spain. Central and UAP had agreed to a three-year "test period" during which the French insurance company would use Central's extensive banking network to bolster its operations in Spain.

■ Solvay, the Belgian chemical group, said its Solvay America unit signed a final agreement with Kuhlman Corp of the US to buy its blow-moulded plastics operations for $45m.

Placer may have taken control of Stikine

By Robert Gibbens in Montreal

PLACER DOME, North America's biggest gold producer, appears to have won a contest for control of Stikine Resources, the Vancouver exploration company which owns half the rich Eskay Creek gold property in north-western British Columbia.

But Stikine stock's performance in the market yesterday suggested the battle may not be over. The shares rose to C$69.50 in the market early yesterday, or C$2 above the Placer bid. Some analysts said this might indicate a new offer from Corona.

Placer said it now owned 45 per cent of Stikine's 3.4m shares, following its C$67.50 a share offer, which expired on Tuesday evening. The bid valued Stikine at C$230m (US$196m).

Placer has now extended the bid to July 4, 8pm Toronto time, to give the holders of Stikine shares, rights and convertible securities more time to tender.

Placer already held 9 per cent of Stikine by Tuesday, and said 1.24m shares had been tendered under the bid.

No statement was immediately available from opponent Corona, the Ontario gold producer led by financier Mr Ned Goodman. Corona offered a share exchange package valued by most analysts at C$65 to C$70 per Stikine share, based on present bullion prices.

Mr Goodman maintains that the real value would be much higher. Corona's offer required a restructuring of its assets by September 30 and a merger of Stikine into a new company, Corona Gold. The latter move required approval from 75 per cent of Stikine shareholders, a proportion now beyond Corona's grasp.

Ownership of the Eskay Creek property, worth about C$500m, now appears to be 50 per cent Placer through Stikine and 50 per cent Prime Resources, an exploration group headed by promoter Mr Murray Pezim, and which is 20 per cent owned by Corona.

SWEDISH FOREST PRODUCTS

Kymmene profits more than halved

By Our Financial Staff

KYMMENE, the Swedish forest products company which is buying Chapelle Darblay of France for FFr1.32bn ($236m), yesterday reported a sharp fall in group pre-tax profits for the first four months of 1990 to FM251m ($44.7m) from FM601m.

Kymmene, whose UK subsidiary yesterday announced an agreement to sell Star Paper for £47.5m ($81.7m), blamed a further weakening of the global rise in forest products, which began to falter in late 1989, for the collapse in profits.

Sales prices, order books and capacity utilisation fell compared with a year ago, Kymmene said. Group turnover rose to FM4.24bn from FM3.69bn.

Kymmene said foreign exchange gains contributed FM8m in the four months, compared with FM152m a year ago. Mr Casimir Ehrnrooth, chairman, said the benefits of a cost control and productivity drive in Kymmene's domestic subsidiaries would become apparent in the coming years.

Mr Ehrnrooth also said that earnings had been affected by difficulties in running-in new production lines, but that these problems would be resolved. Investment in new production plant had also raised depreciation costs.

He said that strongly rising costs had reduced margins. Paper and pulp sales prices were down about 5 per cent on last year's levels, partly because the markka appreciated against major currencies.

Group paper output was 9 per cent up at 712,000 tonnes, while chemical pulp output fell 2 per cent to 430,000 tonnes.

Finnish paper group hit by sharp increase in costs

By Enrique Tessieri in Helsinki

ENSO-GUTZEIT, the Finnish state-owned paper group, reported a drop in four-months pre-tax profit before minority interests and extraordinary items to FM165m ($41.7m) from FM501m, reflecting sharp increases in costs and the downturn in paper markets.

A sum of FM154m in exchange gains was included during the first four months of 1989, when the Finnish markka was revalued by 4 per cent.

Sales rose only by 1.7 per cent to FM3.37bn from FM3.32bn. Earnings per share dropped to FM0.44 per share from FM3.26.

Sales in the pulp and board division fell to FM748m from FM800m, while wood products sales dropped to FM562m from FM768m. In contrast, fine paper sales rose to FM743m from FM618m, while the publication paper division also lifted sales to FM808m from FM561m.

Increase for Wärtsilä

WARTSILA, the Finnish diesel, securities and sanitary equipment group, said net profit before extraordinary items during the first four months of 1990 had risen to FM213m ($53.8m) against FM148m a year earlier, writes Enrique Tessieri.

Acquisitions at the end of 1989 helped raise consolidated sales during the first months of this year by 40.4 per cent to FM1.65bn. Consolidated operating profit rose to FM180m from FM120m.

Wärtsilä expects sales to reach FM5.5bn this year. This figure has been adjusted to take into account this month's sale of Wärtsilä's ceramics division to Hackman.

The diesel division saw sales rise by 22.7 per cent to FM536m, while its sanitary equipment division sales only increased by 4.9 per cent to FM364m.

Due to acquisitions, the security division saw its sales surge by 67.6 per cent to FM419m.

BfG starts the year with weak earnings

By Katharine Campbell in Frankfurt

BANK für Gemeinwirtschaft of West Germany continued its poor earnings performance in the first four months of 1990, according to Mr Paul Wieandt, the new chief executive of the troubled ex-trade union bank.

Extraordinary income, principally from the sale and lease back of its Frankfurt office, allowed BfG to report partial operating profits of DM[illegible] ($211m). Without this, however, and with the same level of provisioning, the bank would have shown a loss for 1989.

The bank took substantial, though unspecified, write-downs last year on its bond and loan portfolio, and net interest income fell to DM766m, nearly 15 per cent lower than 1988.

The picture had worsened this year, on account of continuing higher interest rates and average margins down to 1.24 per cent from 1.4 per cent, Mr Wieandt said, giving no precise figures.

Earnings at BfG, which since 1987 has been majority owned by the insurer Aachener and Münchener, have suffered through involvements with a series of troubled clients, most recently the Co op retailing chain, which last year was rescued from the brink of bankruptcy by a group of banks.

BfG, which ended up owning a 23 per cent stake, is currently involved in talks about the resale of parts of Co op. Mr Wieandt, who joined in March, has been spearheading a strategic review of the organisation in the wake of the Co op debacle, with the help of Boston Consultancy Group.

Refusing to dwell on the sweeping rationalisation measures until the review is complete at the beginning of July, he still promised "a completely new BfG" at the end of the rearrangement. The bank's two shareholders, A&M and BGAG, the trade union holding company, receive no dividend for 1989, and the possibility for a 1990 payout has also been virtually ruled out.

In addition they are being asked for a capital injection of DM1bn.

INTERNATIONAL COMPANIES AND FINANCE

Koor loss is biggest in three years

By Hugh Carnegy in Jerusalem

KOOR INDUSTRIES, the debt-ridden Israeli group, yesterday announced inflation-adjusted losses in 1989 of Shk595m ($293m), the biggest in three successive loss-making years during which it has waged a battle to stay afloat.

The previous adjusted figure in 1988 was a loss of Shk449m. The trade union-owned group, which has suspended all repayments on its $1.2bn debts since the beginning of this year, is banking on a write-off and restructuring package with its creditors, backed by the Israeli Government. But this has yet to be agreed in spite of months of negotiations.

Koor, which has activities stretching from cement to food, blamed the 1989 losses principally on Tadiran, the electrical unit which is its biggest subsidiary. Tadiran's losses accounted for Shk295m of the total.

Mr Benjamin Gaon, Koor chief executive, stressed that the group had returned to an operating profit of Shk3m, compared with operating losses of Shk64m in 1988 and Shk321m in 1987.

Sales were down 9 per cent at Shk4.6bn. Excluding Tadiran, the rest of the group turned in an operating profit of Shk50m. Mr Gaon called this "the crowning achievement" of the group's turnaround efforts in 1989.

However, the results were marred by a total of Shk465m channelled towards restructuring, including heavy provisions for possible losses in Tadiran and Alliance, another unit, as well as severance pay and inventory write-offs.

Mr Gaon blamed defence cuts for much of the trouble at Tadiran, where losses were heaviest in the military communications division, and Soltam, an arms producer which spent large amounts developing a new mobile heavy artillery piece which the Israeli army is now reluctant to buy. Inventory write-offs and severance pay at Soltam totalled Shk68m.

Koor reported a 25 per cent cut in the workforce since 1987 to 23,563, and an increase in output per employee of Shk40,000 to reach Shk200,000. But the 1989 losses left Koor's equity capital at just Shk49m, or less than 1 per cent of the balance sheet. It reported an excess of current liabilities over current assets at the end of December of Shk422m.

Telco aims to expand as earnings climb 74%

By David Housego in Bombay

TATA Engineering and Locomotive Company (Telco), India's largest vehicle manufacturer and a member of the Tata group, is to raise Rs3.1bn ($180m) to help finance a substantial modernisation and expansion programme.

The announcement of the fundraising, which will be made through a convertible bond issue, came yesterday after it declared record yearly profits and turnover. Earnings before tax for the year to March climbed 74 per cent to Rs1.5bn on a 17.4 per cent increase in sales to Rs19.7bn. Net profits rose 46 per cent to Rs1bn.

The profit increase came despite a strike at Telco's Pune plant which cost the company 8,000 units – meaning a total output for the year of just over 64,000 vehicles. Telco holds 70 per cent of the Indian market for heavy and medium-sized trucks, but is diversifying more into lighter vehicles and eventually cars.

Mr Ratan Tata, chairman, said yesterday that Telco would launch a station wagon and a Range Rover-style all-terrain vehicle this year before developing its own passenger car.

He said the group would spend Rs8.3bn on expansion, modernisation and diversification over the next three to four years. Main projects include bringing engine emission levels up to international standards, improvements in finishings and materials to reflect the shift to lighter vehicles, and an increasing effort on exports that required higher quality standards.

He said the group expected production to increase at its three plants to a total of 80,000 units this year and declared that "the current year looks extremely encouraging and promising."

Mr Tata said that Daimler Benz of West Germany was still reviewing its plans to build a "world class" truck for which Telco might be a production platform.

But he said that Daimler, which holds a 10.5 per cent stake in Telco, plans to increase its purchases of components – engines, clutches, gearboxes and rear axles – from the Indian company.

Offer by Hotel Plaza 131 times oversubscribed

HOTEL PLAZA of Singapore said yesterday that the company's S$70m (US$38m) public share offer, which closed on Tuesday, was 131 times oversubscribed, Agencies report from Singapore.

The offer was for 100m ordinary shares priced at 70 cents. It drew 184,684 applicants and attracted application funds of S$8.81bn, the company said. Hotel Plaza has been a wholly owned subsidiary of United Overseas Land, an offshoot of the United Overseas Bank.

● Great Eagle, a Hong Kong property group controlled by the Lo family, said net profit fell 42 per cent to HK$217m (US$27m) in the six months to March 31 because of a decrease in one-time gains.

Turnover virtually doubled to HK$1.02bn from HK$543m. The interim dividend is being lifted to 3.5 cents from 3.18 cents, and a one-for-two bonus issue is proposed.

Japanese brokers' foreign boost

By Our Financial Staff

JAPAN'S Big Four securities houses have weathered this year's downturn in the Tokyo equity market by drawing strength from performances abroad, their latest annual figures indicate.

Consolidated results for the year to March, released yesterday, show gains in net profits in the range of 10 per cent. These were calculated by doubling the results for the previous accounting period which lasted only six months to March 1989, as the industry was changing its financial year-end.

However, the trend is expected to be reversed this year because of a suspension of Tokyo new issue business, agreed among the brokerage houses, which came into effect just before the end of the year.

Officials at leading brokers were quoted as saying yesterday they had now decided to resume underwriting corporate paper, encouraged by the market's recent rally which has recouped roughly half the 30 per cent fall it had showed since the beginning of 1990.

Initially, new issues will be limited to warrants and convertible bonds. Public equity offerings will remain suspended at least until September. According to Nikko Securities estimates, some Y2,000bn ($13bn) in equity financing by some 100 companies has been frozen during the period.

As the pricing and paperwork generally takes around a month, the first corporate bond or warrant offering is not expected until late July.

In the latest year the Big Four's European subsidiaries, especially those in Switzerland and West Germany, were described as achieving their best results ever. These stemmed largely from Euromarket issue activity and warrant trading.

Overall, Nomura Securities – Japan's and the world's largest stockbroker – lifted revenues 4 per cent to Y1,208bn and net profits 9 per cent to Y261.6bn. Its forecast for 1990-91 expects the steepest fall of the four in after-tax profits, which it sees as emerging 20 per cent down, on a 7 per cent fall in income.

Daiwa Securities reported that net profit rose 11.3 per cent to Y164.0bn but is projecting a 9 per cent retreat this year. Revenues, which rose 9.9 per cent to Y944.9bn, are expected to decline 3 per cent.

The third-ranking Nikko Securities showed a 10.4 per cent earnings gain to Y130.0bn on a 13.6 per cent rise in overall income to Y725.5bn. Its outlook sees profits down 15 per cent and revenues off 6 per cent.

At Yamaichi Securities net profits rose 8.9 per cent to Y108.8bn but are expected to turn down 8 per cent in the current year.

Compass increases offer

COMPASS HOLDING, a new Australian airline company that plans to begin flights in mid-November, said yesterday that it had received applications for extra shares at its initial public offering, and would accept oversubscriptions of the 30m shares, AP-DJ reports from Sydney.

The sale of the extra shares will mean the company will bring the total raised to A$65m (US$50m). So Compass will not need to borrow funds to begin operations.

Mr Bill Jeffrey, company secretary, said Compass received more oversubscriptions than the allotted extra shares. The company will be listed on the Australian Stock Exchange on July 5.

Compass initially offered 100m shares at 50 cents each, and said a week ago that the allotment had been filled.

The company has also issued 10m shares to the family of Mr Bryan Grey, chief executive. His family is the biggest shareholder with 9.1 per cent. Mr Jeffrey said Compass would not reveal who its other large shareholders were until the shares were allocated.

BHP reports strong year's production

By Bruce Jacques in Sydney

BROKEN HILL Proprietary, the oil, steel and minerals conglomerate which is Australia's biggest company, has just completed one of its strongest production years on record.

The company's production report for the year to May, released yesterday, lent weight to analysts' predictions of a record annual net profit exceeding A$1bn (US$783m), due to be announced on July 2.

BHP's iron ore production jumped from 27.3m tonnes to a near record 31.4m tonnes, while gold output topped 300,000 ounces for the first time, up from 262,270 oz to 300,677 oz. Manganese output rose from 1.96m tonnes to a record 2.29m tonnes.

In the steel division, while raw output barely edged up from 6.21m to 6.23m tonnes, export sales rose almost 60 per cent to 1.22m tonnes. Domestic sales eased from 4.63m to 4.35m tonnes.

In the petroleum division, the year marked the first shipments of liquefied natural gas from the North West Shelf project, but total crude oil output was only maintained because of increased output from the Timor Sea region.

Production from the declining oil fields in Bass Strait, which supply more than 80 per cent of Australia's crude oil, fell from 60.67m to 57.94m barrels, but output from the Timor Sea rose from 7.45m to 11.43m barrels.

INTERNATIONAL COMPANIES AND FINANCE

A combination of revolution and tradition

David Goodhart examines the successful double act by Siemens of West Germany

Siemens, West Germany's oldest multinational corporation and one of the world's top five electronics and electrical groups, has over the past few years developed an impressive – and typically German – double act.

The company, whose shares begin trading today on the London Stock Exchange, has persuaded the outside world that it has been convulsed by revolutionary changes – a management reorganisation, a wave of takeovers and an increased pace of internationalisation.

Yet on the other hand it never misses an opportunity to stress the solid continuity of its 143-year history.

Tradition is not merely an ornament; it is, for good and ill, deeply ingrained in this enormous capital goods company – sales DM61bn ($36.5bn), employees 350,000 – and has had to be carefully manipulated to ensure that the company remains at the top in at least four (telecommunications, power engineering, medical engineering and factory automation) of the dozen industries in which it is present worldwide.

Tradition is not always an obstacle. The company is poised to benefit from the opening up of eastern Europe not just because of its leading position in the priority electrical and infrastructural sectors, but also because business links in eastern Europe and the Soviet Union go back 140 years.

But tradition is not always a blessing. Most analysts believe the company has been too slow in closing, divesting or shrinking loss-making businesses. KWU – the power station-building subsidiary – recently announced that sales fell by nearly a third last year, but the number of employees was cut by only 350 to just under 25,000.

Mr Karlheinz Kaske, the studiously uncharismatic chief executive, personifies the conservative revolution. Following in his father's footsteps he joined the company at 21, after graduating as a physicist, and apart from a brief spell in the coal industry, remained a Siemens worker through to landing the top job in 1981.

Under his gruff exterior, Kaske is not in the best of health. When asked if he might consider retiring early he snaps "I am 62," implying he will continue for another three years. He has given himself a better chance by abandoning his chain-smoking.

If he was forced to retire early the company would certainly miss his skills as a mediator between fellow board members. His dry sense of humour and ability to remain mild-mannered while always seeming on the point of explosion has held the leadership together through some turbulent times. The board has just been cut by a third as a result of the management reorganisation and Mr Kaske has had the tricky task of demoting or retiring early several of his most senior colleagues.

But if he was to retire early – probably to be replaced by Mr Karl-Hermann Baumann, the finance chief – his exit would make little difference to the company's strategy which has been masterminded by Mr Hermann Franz, board strategist.

Mr George Verghese, of the Deutsche Bank, describes that strategy as akin to the classic business school "portfolio theory" in which the "cash cows" – in Siemens' case, telecoms, medical engineering and factory automation – are used to finance the expensive new "stars" – such as auto electronics – which, if all goes well, later settle down and become cash cows themselves.

Semiconductors do not fit neatly into this picture. Siemens has pumped more than DM3bn (with some government aid) into chip research in the last four years alone and has just produced a model 16-megabit chip. But despite the recent decision to double 1-megabit production this year, it will still make large losses thanks to weakening chip prices.

Siemens insists it has had no choice. It uses nearly three-quarters of all chip production itself and says if it had not developed its own chips it would have become vulnerable to Japanese blackmail. The decision to develop a 64-megabit chip with International Business Machines and possible collaboration with SGS-Thomson and Philips in D-Ram chips should spread some future development costs.

The US has been another cash hole of the 1980s and with a loss of DM572m in 1988-89 profitability seems an ever-receding goal. That loss was partly the result of goodwill write-downs associated with the acquisition of Bendix Electronics. But it also reflects continuing costs arising from the 1987 purchase of Tel-Plus Communications.

The subsequent acquisition of Rolm Systems from IBM, giving Siemens the unenviable title of largest PABX (office


Karlheinz Kaske: personifies the conservative revolution

exchange) producer in the world, has created new integration costs with Tel-Plus as PABX demand is weakening and, to make matters worse, the Siemens Hicom PABX is also competing with Rolm on the US market.

On the brighter side, Siemens has won a toe-hold in the US switching market, although the aim of increasing market share from 3 to 10 per cent looks ambitious, and it has built successful medical engineering and factory automation businesses in the US.

The 1980s have seen a doubling of sales from DM30bn to DM60bn, DM46bn spent on research and development (equivalent to 10 per cent of sales over the decade), and DM43bn on capital expenditure. The automation division and the data and information systems division (office equipment) have been built up from virtually nothing with the latter recording pre-tax profits of DM500m last year on sales of more than DM10bn.

The acquisition of Nixdorf, with complementing strengths in marketing and medium-sized businesses, crowns the decade and leaves Siemens number two in Europe (behind IBM) in computers and office equipment.

Like other companies responding to deregulation and the shift from electro-mechanical to electronic products, Siemens had to shake up its organisation and attitudes in the last part of the decade.

In October 1988 the central divisions were reorganised. Then in October last year the seven giant operating groups – with sales ranging from DM5bn to DM13bn – were divided into 15 smaller groups which, with the streamlining of the board, should bring decision-makers closer to markets. It should also mean greater financial transparency, including a divisional profits breakdown.

Allied to this process came completion of the first hostile bid, the joint takeover, with General Electric Company (GEC) of the UK, of Plessey. Further takeovers, possibly even in Japan, and joint ventures, such as that just concluded with Linotype, should this year reduce the cash mountain to less than DM20bn. In 1988-89 DM7bn was spent on R&D (roughly the same for 1989/90), DM4bn on fixed assets and DM4bn on acquisitions and joint ventures.

Sales outside West Germany have been about 50 per cent of the total for some years. Of those foreign sales, about half originate abroad and half are exports from Germany, an internationalisation record that compares favourably with companies such as Daimler-Benz.

But many analysts continue to suspend judgment on the new Siemens. Benefits from the reorganisation should start to show this year. But some complain it has not been aggressive enough in power engineering and that the pressure on its domestic structure will continue to grow.

The Bundespost liberalisation is sure to cut margins, although Siemens points out that it receives a smaller share (45 per cent) of the public switching market than most other "national champions" in western Europe and that less than a quarter of its 12 per cent worldwide market share in public networks comes from Germany. Siemens is also taking a leading position in the new markets opened up by liberalisation.

In any case, with its spread of products from robotics to rail technology, it will continue to benefit from the investment boom in western Europe, and the construction boom in Germany.

And despite its typical caution over eastern Europe and the Soviet Union (where it has recently had some orders cancelled because of payments problems) it remains the "natural candidate" in several key sectors. KWU, which has been struggling to reduce its exposure to the nuclear market, could benefit quite quickly from overhauling the east bloc energy system.

● Siemens said the London listing was being handled by S.G. Warburg Securities and J. Henry Schroder Wagg & Co. Siemens' shares will then be traded in seven European countries.

US retail venture costs Campeau $1.74bn

By Bernard Simon in Toronto

CAMPEAU Corporation, the Toronto real estate group, has detailed the staggering cost of its disastrous foray into US retailing by reporting one of the biggest annual losses in Canadian corporate history.

Campeau said yesterday it lost US$1.74bn, equal to $39.59 a share, in the year ended January 31, a figure surpassed only in 1986 by Dome Petroleum, the debt-choked Calgary energy producer which was later bought by the US oil group Amoco. Campeau's fiscal 1989 loss was a relatively modest $34m, or $1.04 a share. Revenues rose to $10.4bn from $8.7bn.

Almost the entire loss stemmed from Campeau's highly leveraged takeovers in December 1986 and April 1988 of the two US retail chains, Allied Stores and Federated Department Stores, at a combined cost of $10bn. The company's real estate operations made a pre-tax profit of $23m last year, compared with $124m a year earlier.

The US retailing subsidiaries filed for protection from creditors under Chapter 11 of the US bankruptcy code last January. Campeau is struggling to stave off bankruptcy by selling some of its prime property assets and by seeking concessions from creditors, which include the Canadian real estate developer Olympia & York and Ohio shopping mall magnate Mr Edward J. DeBartolo.

A Campeau representative said yesterday that interest in the properties on the block "seems to be very good," but that no sales were likely to be concluded for another few weeks.

The US acquisitions, which have become the epitome of Wall Street's worst excesses in the late 1980s, have strained the personal finances of the company's French-Canadian founder, Mr Robert Campeau. He is trying to buy back a block of his shares seized this year by National Bank of Canada.

Last year's loss included various charges totalling $1.5bn, of which $958m was a writedown of goodwill by Federated. Reorganisation expenses were $252m, with the rest made up of such items as deferred taxes, depreciation and the reduced carrying value of discontinued assets. Financing charges totalled $1.2bn last year, up from $877m in fiscal 1989. Asset disposals realised $208m last year.

Campeau's liabilities on January 31 included $7.3bn covered by the Chapter 11 proceedings in the US, plus $2.9bn in long-term and $1.8bn in short-term debt. It had a shareholders' deficiency of $1.7bn.

Following publication of the results, Campeau's share price slipped by nine cents to C$1.25 on the Toronto stock exchange. A year ago, the shares were trading at C$22.25.

Earlier this week, Allied and Federated indicated that the Chapter 11 filings have so far had a relatively modest impact on their trading operations. Both companies reported lower first-quarter losses, net of restructuring expenses. They said that most vendors were shipping on normal terms and that inventories were virtually back to normal levels.

Campeau's US subsidiaries also include the California supermarket chain Ralphs Grocery Co, the only significant unit not in Chapter 11.

US bank to shed 320 jobs

HARRIS Bankcorp, the US subsidiary of Bank of Montreal, is to take a US$16m pre-tax charge in the second quarter and shed 320 jobs, Reuter reports from Chicago.

Harris also said that 200 unfilled positions would remain so as a result of a work-force reduction scheme announced in February.

Employees whose jobs would be eliminated would be informed on June 26 in personal conversations with senior managers, Harris said. The bank added that employees would receive individual statements of severance and benefits. The severance package offers a base of 12 weeks' salary plus additional weeks of pay based on age, length of service and salary level.

Harris said the aim of the programme was to reduce payroll expenses. Decisions on which positions would be eliminated were made after a four-month analysis.

General Instrument up

GENERAL Instrument, the New York-based diversified manufacturer of electronic components and systems, reported improved first-quarter net profits of $23.1m or 84 cents a share, Reuter reports.

The previous year's results of $32.4m or 96 cents a share included an extraordinary gain of $10.1m or 30 cents.

Revenues increased to $379.5m from $345.6m.

Mr Frank Hickey, chairman and chief executive, said: "Our results for the first quarter were ahead of plan. Revenue and earnings for both the Broadband and Components segments were up over the prior year, although results in the Data Systems segment were down."

However, he warned that uncertainty in the cable television industry was affecting the company's customers' capital spending, and that this "could have a temporary short-term effect on our business."

INTERNATIONAL CAPITAL MARKETS

Hongkong and Shanghai Bank credit rating cut

By David Lascelles, Banking Editor

THE Hongkong and Shanghai Banking Corporation had its credit rating cut yesterday by IBCA, the London-based rating agency, because of the political uncertainties facing the Hong Kong colony, and the bank's declining profitability.

IBCA cut the Hongkong Bank's individual rating from A/B to B and its long term rating from AA to AA-. But it left its short-term rating unchanged at A1+, reflecting the bank's conservative balance sheet and high liquidity levels.

IBCA said it had decided to make the cut "because of Hongkong Bank's general financial performance, combined with the inevitable uncertainty that must be associated with the takeover by the People's Republic of China in 1997."

Although the Hongkong Bank had diversified strongly overseas in recent years, it is still heavily dependent on its domestic base for the bulk of its earnings. Its overseas units have also performed poorly recently, including Marine Midland Bank, its US subsidiary, and James Capel, its London stockbroking unit. The group's net income declined as a proportion of average assets from 0.72 per cent in 1985 to 0.57 per cent last year.

IBCA also cast doubt on the Hongkong Bank's proposed merger with Midland Bank, the UK clearer in which it holds a 14.9 per cent stake. Although such a deal would enhance the bank's credit quality, IBCA says that because of Midland's short-term problems and the enormous practical difficulties in achieving a merger, "it is by no means certain it will go ahead."

A representative of the Hongkong Bank said in London yesterday that the bank was disappointed by the downgrading, though it believed it was still in good company at its new levels. However, it was pleased that the short-term rating had been left unchanged.

Hongkong Bank does not have a credit rating from any of the large US agencies.

Government of Victoria debt downgraded

By Bruce Jacques in Sydney

THE battered financial standing of the Government of Victoria, Australia's second most populous state after New South Wales, received another blow yesterday when two rating agencies downgraded its debt.

Both the US-based Moody's Investors Service and the Melbourne-based Australian Ratings lowered the state's rating from AAA to AA plus, citing high debt levels and recently-confirmed losses of more than A$1bn by the State Bank of Victoria.

The downgradings come just before the Australian Premiers' Conference where Mr Paul Keating, the Federal Treasurer, has foreshadowed more financial pressure on all six states.

Yesterday's analysis by Australian Ratings alluded to this, asserting that a harsher economic environment and possible Federal Government grant cuts pointed to difficult budgeting for Victoria in the medium term.

The analysis said that Victoria had the highest level of net debt of any Australian state except Tasmania, and that this reflected a persistent borrowing pattern in both the direct government sector and in the Government's trading enterprises.

"Despite a reduction in the deficit in 1989/90, Victoria placed significant reliance on borrowing, with 7.1 per cent of general government expenditure over the past four years deficit financed," Australian Ratings said.

Moody's also based its downgrading decision on Victoria's high debt levels, but both agencies stressed they were not suggesting any risk of default.

Japan to relax bond issue rules

THE Japanese Ministry of Finance will relax its guidelines on securities house issues of domestic convertible bonds, probably next month, Reuter reports. Under the new guidelines, an issuing company may set terms as long as a week after its board decides to make an issue.

Terms have customarily been decided at the time companies agree to make a convertible issue, currently about 20 days before its actual launch. In future, underwriters will revise issue terms weekly.

Treasuries suffer modest losses in early trading

By Janet Bush in New York and Deborah Hargreaves in London

US Treasury bonds started out with modest gains which reflected sliding oil prices and optimism about a new plan to cut the US budget deficit, but then slipped back to score small losses at midsession.

The Treasury's benchmark long bond was quoted $\frac{5}{32}$ point lower to yield 8.49 per cent, while short-dated maturities stood about $\frac{1}{16}$ point lower at midsession.

Softer prices of commodities, including crude oil and precious metals, helped the bond market on hopes that this would ease inflationary pressures and allow the US Federal Reserve more scope to ease monetary policy. However, these considerations did not significantly boost bond prices which have been stuck in a narrow trading range for days.

The other focus of the market yesterday was the publication of the latest Tan Book of regional economic reports compiled by the Fed, which is used as a guide to setting monetary policy within the Federal Open Market Committee which next meets on July 2 and July 3.

The Fed said the economy continued to grow slowly and that there was little change in the underlying inflation rate. This does not appear to offer the central bank any justification to move interest rates either higher or lower.

■ THE UK gilts market experienced one of its more crazy moments yesterday when prices surged on more rumours about UK membership of the exchange rate mechanism of the European Monetary System.

The market grasped hold of the fact that Mr John Major, the UK Chancellor, was speaking to a group called the German Industry Forum last night about European monetary union.

However tentative the connection, the market is keen to look for any hint that the UK may join the ERM and this pushed prices for gilt-edged securities up by more than a point.

Mr Avinash Persaud, economist at UBS Phillips & Drew, the UK arm of the Swiss bank, estimates that gilts prices have already risen by 70 to 80 basis points on the back of ERM rumours. A move to join the ERM is probably worth an increase in price of 100-120 basis points, he reckons.

A benchmark 11¾ per cent Government bond, maturing in 2003/07 was boosted to 103$\frac{11}{32}$ yesterday from the previous day's close of 101⅞ and offered a yield of 11.24 per cent.

■ WEST German bond prices were given a fillip by the movements in gilts market yesterday, but trading was quiet and volumes remained low. Market sentiment was more positive than it has been recently as the Finance Ministry confirmed that there would be no new federal bond issue until July. In addition, German unity bonds are not expected to appear until September.

This means the market can experience a calm period before new issues arrive to depress demand. The London International Financial Futures Exchange (Liffe) has said that unity bonds would not be deliverable into its bund futures contracts – which has also helped market demand.

Liffe's September bund futures contract was trading 35 pfennigs higher yesterday at 82.40 and the cash market was offering a yield of 8.82 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-09	+09/32	12.45	12.43	12.40
		10.500	5/99	93-13	+21/32	11.71	11.77	11.93
		9.000	10/08	86-10	+42/32	10.71	10.89	10.98
US TREASURY *		8.875	05/00	102-17	+2/32	8.49	8.42	8.74
		8.750	05/20	103-08	+7/32	8.46	8.40	8.70
JAPAN	No 119	4.800	6/99	87.3177	-0.118	7.11	7.05	7.16
	No 2	5.700	3/07	92.1081	-0.145	6.70	6.62	6.90
GERMANY		7.750	02/00	93.0500	+0.150	8.83	8.97	8.78
FRANCE	BTAN	9.000	02/95	95.9157	+0.071	10.11	10.11	9.98
	OAT	8.500	03/00	92.3100	+0.310	9.74	9.73	9.63
CANADA *		9.750	05/00	93.2500	+0.500	10.88	10.85	10.87
NETHERLANDS		9.000	05/00	100.3100	+0.280	8.95	9.00	8.98
AUSTRALIA		12.000	7/99	92.0150	+0.170	13.56	13.57	13.57

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

Continental plans Taiwan fund

CONTINENTAL Bank, the big US bank, plans a $75m to $100m client fund for investment in Taiwan, AP-DJ reports.

The fund, which will be managed by Hotung Venture Capital and First Taiwan Venture Capital, will invest up to 40 per cent of its portfolio in high technology sectors. The fund is expected to begin operation before next spring.

Hotung is one of the oldest venture capital investment companies in Taiwan. Its leading shareholders include Daiwa Securities – the Japanese securities house – local industrial groups and the government-run Bank of Communications.

First Taiwan is a recently established Taiwanese investment bank. It recently paid $80m for the Taiwanese subsidiary of Singer Sewing Machine.

● Fidelity International is to launch a $50m Turkish equity fund next month.

It will be managed by Fidelity with Hoare Govett as underwriter, and will apply for a London listing. It will be the second equity fund to invest in Turkish stocks, after last year's launch of the US listed, $84m Turkish Investment Fund.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at [illegible] on June 20

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[illegible]	[illegible]	[illegible]	9.44
ALBERTA PROVINCE 9 3/8 95	400	[illegible]	101	[illegible]	9.20
AMERICAN GENERAL 9 3/4 95	100	[illegible]	[illegible]	[illegible]	10.41
AUSTRALIA 11 1/4 00	100	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA 8 1/2 00	400	[illegible]	[illegible]	[illegible]	[illegible]
BANK OF TOKYO 8 3/8 96	100	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 95 LFr	600	[illegible]	[illegible]	[illegible]	9.67
KREDIETCORP 7 93 LFr	1000	[illegible]	[illegible]	[illegible]	[illegible]
WORLD BANK 8 96 LFr	1000	[illegible]	[illegible]	[illegible]	9.61
AMRO BANK 6 1/4 92 Fl	150	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK 8 1/2 93 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HEINEKEN 7 5/8 94 Fl	150	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	[illegible]	[illegible]	[illegible]	7.06
BARCLAYS O/S INV 6 96	40000	[illegible]	[illegible]	[illegible]	7.07
CANADA 4 3/8 92	80000	[illegible]	[illegible]		6.98
CREDIT FONCIER 5 1/4 94	20000	[illegible]	[illegible]	[illegible]	7.14
DENMARK 7 95	40000	[illegible]	[illegible]	[illegible]	6.95
EIB 4 5/8 94	40000	[illegible]	[illegible]	[illegible]	7.01
FNMA 6 7/8 92	50000	[illegible]	[illegible]	[illegible]	6.92
GENERAL ELECTRIC 5 3/4 93	35000	[illegible]	[illegible]		7.27
ITALY 5 3/4 92	150000	[illegible]	[illegible]		6.96
KANSAI ELEC PWR 4 5/8 94	60000	[illegible]	[illegible]	[illegible]	7.30
NORWAY 5 1/8 95	50000	95	[illegible]	[illegible]	6.80
SWEDEN 5 5/8 95	20000	[illegible]	[illegible]	[illegible]	6.99
WORLD BANK 6 3/4 00	30000	[illegible]	[illegible]	[illegible]	6.82

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GRACE (WR) 6 1/4 02	[illegible]	[illegible]	[illegible]	[illegible]	+21.36
GRAND MET 6 1/4 02 £	100	6.50	[illegible]	[illegible]	+4.47
HAWLEY 6 02 PREF	400	1.91	[illegible]	[illegible]	+5.76
HILLSDOWN 4 1/2 02 £	150	4.16	[illegible]	99	+47.71
INTL PAPER 5 3/4 02	200	[illegible]	[illegible]	[illegible]	+15.29
LAND SECS 6 3/4 02 £	84	6.72	[illegible]	[illegible]	+18.85
METAL BOX 5 3/4 02 £	65	1.93	[illegible]	[illegible]	-1.17
MITSUBISHI BK 1 3/4 02	300	2727.1	[illegible]	[illegible]	+1.36
OGDEN 6 02	85	39.077	[illegible]	[illegible]	+25.16
PACIFIC DUNLOP 6 3/4 97	75	3.749	[illegible]	[illegible]	+1.91
TEXAS INSTRUMENTS 2 3/4 02	300	[illegible]	[illegible]	[illegible]	+63.34
THORN EMI 5 3/4 04 £	103	7.65	[illegible]	[illegible]	+3.57

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Europe grows cautious of credit card-backed issues

By Tracy Corrigan

THE Eurodollar bond market was granted a temporary respite yesterday, as dealers struggled to clear their books of the latest surge of new issues, in preparation for a second wave of paper today.

In particular, dealers said the flow of dollar bonds backed by credit-card receivables was causing European investors to adopt a more wary stance.

Following a $1bn global issue of five-year credit card-backed bonds for First Chicago launched on Tuesday, a further $1.25bn of seven-year bonds, backed by Citicorp credit card receivables, will be priced when New York opens today, at a yield spread of 85 to 88 basis points over the seven-year Treasury note. First Boston in New York and Credit Suisse First Boston in London are joint lead managers of both offerings. Although the deals are offered simultaneously in the US and international markets, dealers say that demand is considerably stronger in the US.

Today's Citicorp issue will be the third global credit card-backed deal to be launched since Citicorp brought the first such deal, a $1.25bn five-year issue arranged by Salomon Brothers, last month. It is the first to have a maturity of seven rather than five years.

Also scheduled for today is Denmark's second auction of Eurodollar bonds, arranged by J.P. Morgan Securities. The $600m to $800m will be fully fungible with Denmark's outstanding $771m of five-year bonds.

INTERNATIONAL BONDS

That issue is trading at a yield spread of 58 basis points above the five-year Treasury. Soundings of the market suggest that there will be a strong bid for the new bonds at 60 basis points above the Treasury, while about $400m worth of bonds could be bid inside that level.

In the D-Mark sector, the Oil and Natural Gas Commission of India issued DM250m of seven-year bonds via Commerzbank. Some dealers considered the pricing rather aggressive. However, West Germany's double tax agreement with India enables German residents to claim tax relief on the bonds, which boosts the yield for retail investors.

The lead manager was quoting the bonds at less 2 bid, within full fees of 2¼ points.

In the Swiss market, Oesterreichische Postsparkasse, the Austrian postal savings bank, is offering 20,000 warrants which can be exchanged for bonds. This is the first plain vanilla issue of Swiss franc-denominated warrants exercisable into back bonds.

The bonds, with a 7 per cent coupon maturing in 2001, will be issued up to the value of SFr100m, if the warrants are exercised. The warrants can only be exercised until December. The warrants were issued at a price of SFr111, and traded up to SFr115 bid, according to lead manager J.P. Morgan.

In the Euroyen sector, Orix Ireland brought a Y30bn issue of five-year bonds via Daiwa Europe. The issue is targeted at Japanese investors and will not be actively traded.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Oil and Nat.Gas Comm.India(a)♦	250	8½	100⅝	1997	2¼/1½	Commerzbank
SWISS FRANCS						
Cariplo(London Branch)(a)★★♦	75	7⅛	101¾	1994	1⅜/1¼	Banque Paribas (Suisse)
YEN						
Orix Ireland Finance(b)♦	30bn	(b)	101⅝	1995	1⅝/1¼	Daiwa Europe
AUSTRALIAN DOLLARS						
Finnish Export Credit(c)♦	30	26	101	1991	1	Westpac Banking

★★Private placement. ♦Final terms. a) Non-callable. b) Short first coupon paying ⅛% over 3-month Libor, then 7% fixed thereafter. Non-callable. c) Issue increased from A$25m. Redemption linked to A$/DM exchange rate.

Watchdog suspends Inverchile funds

INVERCHILE, the Chilean investment group in which Midland Bank of the UK has a 20 per cent stake, has had its operations suspended as a result of serious liquidity problems, Reuter reports.

The Chilean securities commission has frozen Inverchile's two mutual funds for three to 10 days. No purchases or redemptions will be permitted during this period.

Inverchile, in which the World Bank's International Finance Corporation also holds a 10.7 per cent stake, was suspended from trading on the Santiago Stock Exchange for 30 days.

The commission said that Inverchile had "serious liquidity difficulties" due to a high concentration of transactions with the same type of instrument. The situation was caused by poor portfolio management, it said.

The suspension does not affect Inverchile Equimark which manages two Chile country funds, both listed in London.

Brokers said that Inverchile's problem had arisen through a top-heavy portfolio weighting in debt-linked government securities which became difficult to trade when Chilean interest rates shot up this year.

David Lascelles adds from London: Midland Bank confirmed that the bank was involved in discussions to resolve Inverchile's problems, but said it was too soon to say whether this would cost the bank money.

Midland made its investment, worth $1m, as part of its participation in Chilean government moves to convert some external debt into equity.

Japanese derivatives approved by CBOT

By Barbara Durr in Chicago

THE Chicago Board of Trade has approved the launch of four Japanese derivatives products between mid-September and mid-October this year.

The CBOT plans to start trading in Japanese government bond futures and options on futures, as well as futures and options on futures of the Tokyo Stock Exchange index (Topix). Japanese derivatives have been on the back burner at the CBOT since 1988, when the Commodity Futures Trading Commission (CFTC), the futures industry regulator, granted its approval of the futures contracts.

Yesterday CFTC approval of the options on these two futures contracts was confidently expected. Agreements on these products are also in place between CBOT and the Tokyo Stock Exchange.

The big concern about Japanese stock index products is that they lack a simultaneous cash market. Partly for this reason, the four contracts are likely to be traded during the CBOT's normal day session and at its night session as well, when Japanese markets are open.

The CBOT's board also approved a special trading permit programme for one year to bring in more traders for the Japanese contracts. Partial seat holders in both the CBOT and the MidAmerica Commodity Exchange, a CBOT affiliate housed in the same building, will be eligible for the special permits.

The Chicago Board Options Exchange also plans to launch Topix options this year.

Liffe extends short contract

THE London International Financial Futures Exchange (Liffe) is extending the length of its short sterling futures contract by a year, writes Deborah Hargreaves.

Extending the contract to three years will allow investors to take a longer view on UK short-term interest rates.

Race to create a Euro-share index

Deborah Hargreaves on hopes for an exciting new derivatives product

The race is on to create a European share index. As European stock exchanges discuss the establishment of a pan-European system for trading equities, they are also jostling to develop the ultimate product that will capture the imagination of the region's investors in the run-up to the formation of the European Community's single market in 1992.

Tjerk Westerterp: plans Ecu-denominated share index

Stock exchanges are trying to create an index that will prove to be a European version of the Dow Jones Industrial Average (DJIA) or the Standard & Poor's 500 index. Derivatives exchanges are looking to cash in on the same market in a bid to trade futures and options products on the pan-European index.

A group of brokers are meeting in London today to discuss the development of derivatives on the European index formulated by London's International Stock Exchange. The ISE has proposed a new index based on stocks traded on the exchange's SEAQ International system.

London is not alone in its European ambitions. Next Wednesday Mr Tjerk Westerterp, president of the Amsterdam-based European Options Exchange (EOE), will unveil more detailed proposals for the creation of a Top 100 index which will be denominated in Ecu. Paris is aiming to create its own product.

However, the difficulties involved in calculating a European index are immense and the big initiatives have left several issues unresolved.

London's plan is largely formed as a shop window for SEAQ International and includes the top European stocks by capital value. But no decision has yet been made on the currency denomination of the index – Ecu, D-Marks, dollars or sterling.

In addition, the exchange is still debating the composition of an index – if it included UK stocks, for example, it would be more attractive to overseas investors such as the US and Japanese, but less interesting to UK fund managers. If UK stocks were included in a European index they would represent 38 per cent to 40 per cent of its make-up, but UK fund managers wishing to track Europe would not be interested in seeing such a strong weighting for domestic issues.

In theory, a European index sounds like a good idea, but in practice it is hard to isolate real demand for it. The strongest demand is likely to come from the US and Japan, but these investors are looking for a product that tracks European market movements and is not skewed towards any one country or industry.

Mr Westerterp's proposal would include the 100 most highly-capitalised stocks in nine countries across Europe – not just the EC – in an index. In order of weighting within the index, this would carry stocks from the UK, France, Germany, Italy, Spain, Belgium, the Netherlands, Switzerland and Sweden.

The EOE says it will get its prices from Reuter since not all the stocks are traded on the Amsterdam Stock Exchange. But this could prove problematical since the integrity of pricing in an index is of paramount importance. An index based on SEAQ International would have the advantage of getting all its prices from the same market.

There is also dissent amongst the creators of these indices on how broadly-based they should be. France's Matif futures exchange is understood to be developing an index based on 300 European stocks. The US market offers little direction on this issue since of the two leading indices, the DJIA is based on just 30 stocks while S&P carries 500, and both have their supporters.

Mr Howard Baker, head of the options division at the American Stock Exchange, explains the complexities of creating a new index. "On the surface it seems appealing to come up with a brand-new index, but you have to realise that local situations can still dominate an international product," he warns.

The Amex has most recently launched an international index – the International Market Index – based on 30 foreign stocks that are traded as American depositary receipts in the US. However, half the index is weighted on Japan, which depressed its trading level during Tokyo's recent price slide while other markets were still rising. As a result, the index was not representative of the international situation and trading volume in the index is little more than a couple of hundred contracts a day.

At the same time, Mr Baker cautions against directing the index towards a particular industry group. The Amex's oil and gas index which includes 15 oil and 15 gas stocks has seen periods of inactivity as a rise in oil prices has been counteracted by a fall in gas prices.

Currency denomination is vital in attracting retail participation to a product. Most US private investors would have no idea how much an Ecu is worth, while denominating an index in D-Marks or sterling would create a risk from the currency exposure.

This is not to say that all new index products are destined to fail, just that they have to be formulated carefully. "We would be very interested in the creation of a well-thought out index," says Mr Baker.

Mr Westerterp is making a European gesture in throwing open his product to any other exchange that wants to list it, in a move that will build liquidity and increase the EOE's clearing business.

But local exchanges are eager to create their own products. The London International Financial Futures Exchange and the London Traded Options Market are discussing a merger – the plans of which are due to be announced at the end of June – and are looking on a joint exchange as a good base from which to launch derivatives on a Euro-index.

In the run-up to 1992, there is likely to be more competition on indices than co-operation.

President of Amex quits

By Janet Bush in New York

MR Kenneth Leibler has announced his resignation as president of the American Stock Exchange to become president and chief operating officer of Liberty Financial, a subsidiary of Liberty Mutual Insurance.

Mr Leibler, 41, was passed over for the top job of chairman of the exchange when Mr Arthur Levitt resigned last October.

Mr Leibler's resignation appears to have been motivated not only by a desire for a broader management role but also by tensions since former Congress member James Jones, who has no background in the securities industry or in business, became chairman.

Dealer in US could close

WESTPAC Pollock Government Securities is winding down positions in the US government securities market and is expected to cease as a US primary dealer over the next few days, counterparties to the firm's trades said yesterday, Reuter reports.

Westpac, part of the Australian Westpac Banking group, has been trying to find a buyer for the dealership over the past few weeks. Dealers in the US Treasury market said efforts had been unsuccessful and the firm could soon close.

Primary dealerships are designated by the New York Federal Reserve and are expected to make markets in US Treasury securities as well as participate in the Fed's daily reserve management operations to add or drain from the banking system.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jun 20 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Jun 19 Index No.	Mon Jun 18 Index No.	Fri Jun 15 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (198)	896.12	-0.8	12.97	5.13	9.38	17.22	903.47	909.58	915.50	966.97
2	Building Materials (27)	1136.27	-0.2	13.69	5.29	9.04	25.77	1138.13	1133.56	1141.65	1201.60
3	Contracting, Construction (36)	1427.35	+0.2	16.86	5.76	7.72	34.64	1424.10	1421.86	1437.63	1648.40
4	Electricals (10)	2617.77	-0.1	10.86	5.13	11.32	61.43	2619.99	2619.14	2635.77	2851.79
5	Electronics (29)	1800.49	-3.0	10.33	4.19	12.55	21.38	1855.25	1898.86	1903.19	2264.09
6	Engineering-Aerospace (8)	468.03	-2.2	13.85	4.98	8.60	9.42	478.39	491.70	496.92	0.00
7	Engineering-General (43)	501.55	-0.1	11.70	5.09	10.31	8.93	502.11	503.19	505.10	0.00
8	Metals and Metal Forming (6)	503.40	+0.7	23.32	6.68	5.08	2.46	499.88	496.78	499.49	519.04
9	Motors (15)	372.20	-0.9	14.93	6.20	7.81	9.81	375.67	376.62	379.45	326.66
10	Other Industrial Materials (24)	1636.76	-0.5	10.82	4.91	10.67	34.38	1645.54	1657.48	1670.01	1594.88
21	CONSUMER GROUP (179)	1316.67	+0.1	9.28	3.83	13.32	19.74	1314.91	1315.24	1325.79	1237.65
22	Brewers and Distillers (21)	1623.10	+0.6	9.38	3.56	12.89	23.35	1612.82	1614.16	1624.16	1348.76
25	Food Manufacturing (20)	1110.88	+0.3	10.26	4.30	12.07	17.76	1107.57	1106.77	1114.80	1094.82
26	Food Retailing (16)	2462.40	-0.3	9.43	3.34	13.61	33.61	2470.97	2470.49	2492.35	2390.08
27	Health and Household (15)	2578.40	-1.0	6.67	2.69	17.83	24.15	2604.90	2606.67	2621.92	2245.43
29	Leisure (31)	1501.61	+0.2	9.74	4.11	12.48	24.36	1498.30	1493.11	1508.72	1656.78
31	Packaging & Paper (13)	613.50	+0.3	10.97	5.61	11.24	11.83	611.66	607.26	612.25	568.22
32	Publishing & Printing (16)	3582.54	+0.8	10.15	5.14	12.30	79.26	3552.79	3553.29	3577.76	3590.96
34	Stores (35)	836.82	+1.0	10.69	4.47	11.97	15.30	828.28	831.14	842.56	815.15
35	Textiles (12)	503.67	+0.4	12.55	7.10	10.20	16.06	501.48	503.08	505.37	538.55
40	OTHER GROUPS (104)	1200.50	+0.1	10.87	4.92	11.08	14.99	1199.59	1203.84	1212.88	1130.22
41	Agencies (17)	1727.69	-0.4	5.77	2.21	20.98	14.99	1734.54	1745.49	1757.73	1401.56
42	Chemicals (23)	1304.84	-1.2	10.80	5.07	10.83	31.17	1321.06	1328.46	1332.42	1292.42
43	Conglomerates (14)	1704.13	+0.1	10.07	5.85	11.90	26.40	1702.53	1703.99	1717.63	1604.05
44	Transport (13)	2312.30	+0.7	10.62	4.46	11.95	40.07	2297.09	2306.98	2303.59	2440.57
46	Telephone Networks(2)	1213.70	+1.0	11.23	4.63	11.57	0.00	1202.09	1205.20	1217.28	1106.66
47	Water(10)	1946.40	-0.2	16.60	6.96	6.73	0.00	1949.87	1971.28	1977.97	0.00
48	Miscellaneous (25)	1811.32	+0.1	11.94	4.86	9.55	36.78	1808.98	1811.04	1840.47	1700.65
49	INDUSTRIAL GROUP (481)	1188.21	-0.1	10.67	4.49	11.44	18.09	1189.57	1192.97	1201.88	1158.15
51	Oil & Gas (19)	2323.97	+0.5	12.13	5.32	10.89	46.50	2313.30	2293.56	2309.57	2078.08
59	500 SHARE INDEX (500)	1283.70	......	10.87	4.60	11.36	20.39	1284.16	1285.83	1295.36	1236.27
61	FINANCIAL GROUP (107)	809.80	+0.9	–	5.65	–	20.36	802.90	801.17	809.82	735.84
62	Banks (9)	853.83	+1.1	19.22	6.30	6.81	25.62	844.18	844.09	854.08	734.92
65	Insurance (Life) (7)	1454.42	+1.6	–	5.05	–	36.94	1431.97	1421.40	1436.39	1062.73
66	Insurance (Composite) (6)	710.94	+1.2	–	5.82	–	19.43	702.55	697.41	707.03	568.82
67	Insurance (Brokers) (7)	1038.13	+1.1	8.36	6.29	15.77	27.41	1027.31	1022.61	1055.81	964.16
68	Merchant Banks (7)	450.65	-0.7	–	4.40	–	8.55	453.75	454.60	456.22	320.90
69	Property (47)	1090.97	+0.1	8.24	4.30	15.56	17.70	1089.88	1090.35	1097.75	1520.94
70	Other Financial (24)	299.11	+0.4	12.47	6.48	10.48	5.96	300.16	300.85	301.02	357.21
71	Investment Trusts (67)	1226.88	+0.4	–	3.18	–	15.14	1222.06	1223.81	1229.50	1148.46
91	Overseas Traders (5)	1427.84	+0.2	9.72	6.40	12.32	43.49	1424.49	1422.40	1428.55	1303.63
99	ALL-SHARE INDEX (679)	1169.61	+0.1	–	4.72	–	20.15	1168.35	1169.29	1178.39	1112.12

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 19	Jun 18	Jun 15	Jun 14	Jun 13	Year ago
FT-SE 100 SHARE INDEX♦	2371.2	+1.5	2384.5	2369.6	2369.7	2370.5	2392.3	2403.0	2405.4	2172.2

FIXED INTEREST

	PRICE INDICES	Wed Jun 20	Day's change %	Tue Jun 19	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.43	+0.29	115.09	–	6.27
2	5-15 years	122.54	+1.04	121.28	–	6.80
3	Over 15 years	126.49	+1.51	124.60	–	6.15
4	Irredeemables	144.51	+0.70	143.50	–	6.36
5	All stocks	122.29	+0.83	121.29	–	6.63
	Index-Linked					
6	Up to 5 years	146.40	+0.11	146.24	–	1.49
7	Over 5 years	138.90	+0.55	138.14	–	2.03
8	All stocks	139.35	+0.51	138.64	–	1.99
9	Debentures & Loans	98.77	+0.18	98.59	–	5.06
10	Preference	74.01	+0.19	73.87	–	3.09

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jun 20	Tue Jun 19	Year ago (approx.)
	British Government				
1	Low	5 years	10.99	11.09	10.00
2	Coupons	15 years	10.71	10.87	9.61
3		25 years	10.64	10.77	9.40
4	Medium	5 years	11.97	12.13	11.15
5	Coupons	15 years	11.05	11.24	10.08
6		25 years	10.71	10.87	9.60
7	High	5 years	12.08	12.24	11.29
8	Coupons	15 years	11.31	11.49	10.29
9		25 years	10.92	11.09	9.78
10	Irredeemables	†	10.64	10.72	9.38
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.26	5.28	3.87
12	Inflation rate 5%	Over 5 yrs.	4.15	4.19	3.79
13	Inflation rate 10%	Up to 5yrs.	4.11	4.15	3.07
14	Inflation rate 10%	Over 5 yrs.	3.96	4.00	3.62
15	Debs &	5 years	13.96	13.45	12.00
16	Loans	15 years	12.84	12.86	11.67
17		25 years	12.82	12.86	11.33
18	Preference	†	12.48	12.50	10.32

♦Opening index 2375.0; 9 am 2370.1; 10 am 2383.4; 11 am 2379.6; Noon 2378.6; 1 pm 2380.0; 2 pm 2379.6; 3 pm 2380.4; 4 pm 2370.5; 4.10 pm 2371.4; (a) 10.17am (b) 9.05am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	89	0	8
Corporations, Dominion and Foreign Bonds	5	5	13
Industrials	364	282	933
Financial and Properties	199	119	424
Oils	20	28	40
Plantations	3	0	7
Mines	14	57	94
Others	41	82	118
Totals	735	573	1,637

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	130	110	ABI Leisure 10p	127		4.7	3.3	4.9	8.5
100	F.P.	–	99	91	Dartmoor Inv. Tst. 10p	99		R9.75	–	13.1	–
90	F.P.	–	47	47	EFM Java Trust	48		–	–	–	–
–	F.P.	–	26	18	Do. Warrants	26		–	–	–	–
–	F.P.	–	46	38	First Philippine Inv. Tst.	38	-1	–	–	–	–
–	F.P.	–	22	10	Do. Warrants	12		–	–	–	–
–	F.P.	–	14	7	Fisher (Albert) Wrrts.	8		–	–	–	–
500	F.P.	–	100	95	French Property Tst.	97		–	–	–	–
–	F.P.	–	39	32	Do. Warrants	36		–	–	–	–
[illegible]	F.P.	–	88	85	Intrum Justitia 10p	85	-1	a1.75	2.5	2.8	13.7
100	F.P.	–	98	95	Jupiter Euro Inv Units	95	-1	–	–	–	–
–	F.P.	–	36	35	Do. Warrants	35	-1	–	–	–	–
§100	F.P.	–	116	115	‡Levercrest 5p	115	-1	R4.05	2.4	4.7	9.3
–	F.P.	–	44	35½	Lucas Inds. Warrants	35½	-½	–	–	–	–
–	F.P.	–	31	21	Paribas French B Wrnts	28	-3	–	–	–	–
[illegible]	F.P.	–	96	94	‡Proteus Intl.	96	+1	–	–	–	–
§100	F.P.	–	102	95	Stan Select. Growth Tst.	102		–	–	–	–
–	F.P.	–	38	30	Do. Warrants	38		–	–	–	–
†	F.P.	–	215	200	Wiggins Teape Appleton	213	+2	s8.35	2.0	5.2	11.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
100	Nil	25/6	13pm	½pm	‡Allied Leisure	9pm	-4
45	Nil	–	8pm	2pm	Amber Day	3½pm	
86	Nil	–	15pm	14pm	Ashley Group	14pm	
335	Nil	–	73pm	48pm	Cater Allen Hldgs. £1	49pm	
105	Nil	–	43pm	26pm	‡EW Fact 5p	43pm	
33	Nil	25/6	6pm	½pm	Ex-Lands	½pm	
425	Nil	24/7	149pm	104pm	Laporte	240pm	-2
248	Nil	–	44pm	30pm	Morgan Crucible	37pm	+1
12½	Nil	–	9pm	1½pm	SI Group 5p	8½pm	+½
–	Nil	–	1pm	¼pm	XCL Service	½pm	
Ir40	Nil	–	5pm	3pm	‡Ultra-Vision	4pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings June 18
- Last Dealings June 29
- Last Declarations Sept. 20
- For settlement Oct. 1

For rate indications see end of London Share Service

Calls in Bula Res., Ford Sellar Morris Props., Tusker Res., Monument Oil, Gaelic Res. and Next. Put in Davies & Newman. Put and call in Strong & Fisher and Bula Res.

LONDON TRADED OPTIONS

Option		CALLS Jul	CALLS Oct	CALLS Jan	PUTS Jul	PUTS Oct	PUTS Jan
Allied Lyons (*503)	500	18	43	58	15	21	25
	550	4	21	32	52	54	57
Ultramar (*337)	330	20	35	46	9	15	18
	360	6	20	32	25	30	32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
Barclays (*402)	393	9	28	40	1	18	21
	429	1	12	22	31	38	39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Nat. (*203)	200	5	15	20	2	8	9
	220	1	6	11	19	20	22
Amstrad (*68)	60	9	13	15½	½	3	3½
	70	½	7	10	3	6½	8

Option		CALLS Jun	CALLS Aug	CALLS Oct	PUTS Jun	PUTS Aug	PUTS Oct
Reuters (*1264)	1200	65	108	144	½	22	37
	1250	15	74½	11	½	39½	54½
Storehouse (*130)	120	11	18	22	3	7	8½
	130	4½	11	16	8	10½	13
Trafalgar (*320)	300	28	42	48	4	10	18
	330	8	25	30	20	25	31
Utd. Biscuits (*357)	300	33	42	53	2½	8	9
	360	10	22	33	10	18	20

FT-SE INDEX	[illegible]
CALLS	[illegible]
PUTS	[illegible]

June 20 Total Contracts 40,951
Calls 25,044 Puts 15,907
FT-SE Index Calls 3,602 Puts 3,639
Euro FT-SE Calls 0 Puts 14
*Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

Core business behind 5% rise at Unigate

By Jane Fuller

UNIGATE, the food and transport group, lifted pre-tax profits by 5 per cent in the year ended March 31 as it made up some of the ground lost when it sold half of its dairy interests in January 1989.

However, progress made by its various food businesses, which typically sell to the buoyant UK supermarkets sector, was hampered by poor showings from the vehicles sales and distribution side.

At the operating level, profit declined from £111.7m to £108.4m on sales of £2.44bn (£2.35bn). This was in spite of a £6m increase to £12.7m in other activities, mainly from the sale of the head office, and a £4m pensions windfall following new accounting practices.

After a £2m increase in the contribution of a Dutch associate and reduced interest costs of £10.5m (£16.8m), pre-tax profits advanced from £100.5m to £105.5m. Debt had been sharply reduced by the £126m dairies disposal.

Mr John Clement, chairman and chief executive, said the UK food business, which includes the St Ivel brands, had done well to limit its profit fall to £3m at £59.7m. Within this, the remaining 54 per cent of the dairy activities had contributed £24.9m (£34.8m). Fresh foods' profit declined from £27.1m to £24.5m, after health scares and disruptions to the distribution business.

Farm foods, which had been hit by a salmonella scare in the previous year, recovered from a profit of less than £1m to £10.3m after strong performances in poultry, bacon and animal feed.

Overall operating profit from US food was little changed at £12.4m (£12.1m). Strong growth at the restaurants was offset by problems with the cheese business following a 37 per cent increase in milk prices.

Falling vehicle demand and the collapse in second hand values hit the distribution businesses, which made operating profits of £23.6m (£30.2m). In the Wincanton group, margins were depressed in both motor retailing and contract hire; car auctions, however, had a good year.

Giltspur, which provides exhibition services, was adversely affected by the decline in activity caused by high interest rates.

Earnings per share rose to 31.5p (29.6p). A recommended final dividend of 9.6p makes a total of 15.3p (13.9p).

The shares gained 7p to close at 312p.

See Lex

Trevor Humphries

John Clement: UK food business had done well to limit its profit fall to £3m

Saatchi's banks agree to request for £40m guarantee

By Alice Rawsthorn

SAATCHI & SAATCHI, the communications and consultancy group, yesterday announced that it had secured the agreement of its banks to provide a £40m guarantee.

The banks have given their agreement in principle for the guarantee, which was needed to enable Saatchi to continue to buy television airtime in the UK.

The documents relating to the guarantee should be signed over the next few days.

Saatchi was asked to supply the guarantee by the Independent Television Association, the body which represents the commercial television companies in the UK.

Advertising agencies usually pay for television airtime after their commercials have been broadcast. But if the ITVA becomes concerned about an agency's financial condition, it can ask the agency to provide a guarantee equivalent to the highest sum of money it has spent on commercial television over two successive months in the previous year.

The Saatchi group owns three of the largest UK agencies – the Saatchi agency, BSB:Dorland and KHBB – and is the biggest single spender in the television market.

In recent months it has been beset by financial problems because of the debts incurred in its acquisitions in the 1980s. It has also suffered from the slowdown in the UK advertising market.

Saatchi is trying to sell its management consultancies to raise about £80m to reduce its debts.

Earlier this month it reached conditional agreement to sell Hay, the largest of the consultancies, as a $80m (£47m) management buy-out.

Before the end of Saatchi's financial year on September 30 it is expected to conclude the sale of Gartner, a US computer consultancy, and possibly of one other consultancy.

Fears are stoked as coal men deliver little slack in final offer

Nikki Tait canvasses some opinions on British Coal pension funds' final 205p bid price for Globe Investment Trust and the calculations and finely-tuned adjustments that were made arriving at the figure

LIKE MOST bid battles, the billion-pound tussle over Globe, the UK's biggest investment trust, finally came down to price yesterday.

Shortly after lunch, the predator, the British Coal pension funds (BCPF), made the long-expected increase in its offer, raising its terms from 191p to a final 205p per share.

Barclays de Zoete Wedd, its adviser, swept into the market seeking to buy up to 95m shares, but falling well short of the target. BZW declined to comment on the results of the raid, but, judging from Seaq trading volume, the bidder's overall level of control may now be around 40 per cent.

Globe's fight for independence is still on – at least temporarily.

The level at which BCPF finally pitched its offer undoubtedly caused some surprise. True, it fell slap in line with Globe's share price ahead of the announcement, but it was still some 5p to 8p lower than many analysts were predicting. "Very opportunistic," remarked one pundit, "but they're playing on investors' fears of being left as minority shareholders."

That worry was given an extra twist by BCPF's canny and well-publicised instruction to their brokers to buy up to only 95m shares for cash – a number designed to take the bidder just over the 50 per cent mark. Anyone who missed this selling opportunity could be obliged to accept the offer instead, and that, in turn, might mean waiting weeks before receiving any cash.

In short, it looked a neat way of creating a rush of sellers. In the event, however, the trading volume was only 51m shares which, allowing for some double-counting, may suggest an addition of some 5 per cent or so to BCPF's 34 per cent stake.

This relatively low level seems to have surprised even Globe, and left it in unexpectedly hopeful mood last night. "The very strong advice from our brokers is that they misjudged this," said Mr David Gregson, a Globe director.

The coal men themselves have rationalised their final offer by taking the June 19 "consortium investment trust service" net asset value figure of 214p per Globe share, and then making certain adjustments.

They have added 2.8p for the enhanced value of Globe's 5.5 per cent stake in Reedpack, following yesterday's agreed offer for the paper company. They have also accepted Globe's 0.5p estimate for dealing investments and properties.

BCPF then deducted 1.4p per share for the write-off of Globe's investment in British & Commonwealth Holdings, and subtracted a similar amount for their own estimate of the trust's bid costs. That gives an adjusted net asset value of 214.5p a share, with the bid price representing a 4.4 per cent discount.

Globe, not surprisingly, does these sums very differently.

It does not quibble with the 214p base, the upward adjustments, nor the B&C write-off. What it does suggest is that there should be further additions to allow for the 4p final dividend – which is not normally included in investment trust net asset valuations but which BCPF will not pay out – plus something for cash generated since the start of the year. On the latter score, it points to the high level of liquidity – some 11 per cent – in the fund at present.

In an ideal world, Globe would also like some allowance made for the value of its fund management operations, and in earlier defence documents it estimated the worth of these at 8.1p per share. It even went on to argue that the cash portion of its assets should not be bought at any discount at all.

Analysts tend to pitch somewhere between these two views. On the one hand, there is some sympathy for the dividend and fund management additions, although distinction is drawn between Globe Management, which handles the trust, and the two other subsidiaries, Globe Morley (pension fund management) and Globe International (overseas investment services). The latter entities, runs the argument, might form separate saleable businesses. For this reason, some additional value should, perhaps, be added in.

Equally, however, City pundits concede that some deduction should be made for bid defence costs, which may be mounting significantly. This, unfortunately, is a subject on which Globe is less than forthcoming, and any figure is speculation only.

Such methodology, coupled with some admitted guesswork, takes at least one analyst to a value of a little over 220p per share. The BCPF bid is then pitched at a discount of about 7 per cent. That is on the ungenerous side; as a very general rule, trusts tend to go out at 95 to 96 per cent of asset value.

The most significant exception was TR Industrial & General, BCPF's last victim in the trust sector. That was swallowed up at an 8 per cent discount, for £560m, with the greatest of ease. This time, the predator has faced a considerably tougher struggle from start, thanks to an unhelpfully bullish stock market and Globe's own vociferous defence.

By yesterday evening, it looked as if the closing stages of the bid would continue in similar form. The remaining unknown, of course, is the market. So from the institutionalised corridors of British Coal's Hobart House to Globe's more elegant surroundings on the Embankment, the repercussions of Friday's trade figures may be watched with abnormal attention.

UK buy for S African pulp maker

By Andrew Hill in London and Philip Gawith in Johannesburg

SAPPI, a South African pulp and paper maker, has made its first move into the UK manufacturing sector, buying five speciality paper mills with a consortium of outside investors for R500m (£109m).

The move is part of a continuing trend on the part of South African companies to source more of their earnings outside the country as a hedge against a weak currency and possible nationalisation moves by a future government.

Sappi, one of South Africa's largest industrial companies, is buying three mills from Pembridge Investments for about £60m. The mills – based in Fife, Hemel Hempstead and near Bristol – are part of DRG, the paper and packaging group won by Pembridge last November following a hostile bid.

Hirose, the acquisition vehicle in which Sappi is the major shareholder, will also spend £47.5m on Star Paper's mills – in Blackburn and Oxford – which belong to Kymmene, the Finnish forest products company. Kymmene, which used Star for its first move into the UK in 1980, is to concentrate on high-quality bulk paper rather than the speciality paper and paperboard made by the British group.

Mr Eugene van As, Sappi's managing director, said yesterday that the businesses would operate as one integrated paper company. Sappi executive director Mr Kim Jokipii has been seconded to the UK to establish the new company and will be joined by Mr Machiel Reyneke, Sappi financial manager, to form the nucleus of the new group.

Mr van As said the products of the mills complemented the products made by Sappi's speciality paper mills in South Africa. He added that a significant portion of their pulp requirements would be sourced from Sappi's South African operations. Sappi also plans to use its existing distribution network in Europe, the US and the Far East to handle the exports of the UK paper mills.

The acquisitions will be financed through financial rand and offshore borrowings, and are expected to add 100 cents per share to Sappi's earnings in 1992-93.

At February 28 1989 Sappi had assets of R5.48bn. Turnover in the year to end-February was R2.73bn and net income was R605m. It was ranked the 11th largest industrial company in the country last year, but has almost certainly risen up the list since then.

Smurfit buys minority stakes for £17.5m

By Andrew Hill

SVENSKA Cellulosa, which yesterday announced an agreed bid for Reedpack, has sold its minority holdings in packaging companies in the UK and Ireland to Jefferson Smurfit, the Irish paper and packaging group, for £17.5m.

Smurfit is buying the 49 per cent of Smurfit Corrugated Ireland which it does not already own, and a 24.5 per cent stake in UK Corrugated.

The purchase means Smurfit now owns 50 per cent of UK Corrugated. The balance is held by Macmillan Bloedel, a Canadian forest products company.

Mr Michael Pettigrew, Smurfit's company secretary, said yesterday that there were no plans to try to buy the remaining shares in UK Corrugated, but he added: "If at any stage they [Macmillan] became sellers we would obviously be interested."

SCA said it would cover the markets supplied by Smurfit Corrugated and UK Corrugated through wholly-owned companies.

● Smurfit also announced that one of its UK subsidiaries had bought Texboard, a manufacturer of paper tubes based in Leek, Staffordshire. The company, which did not disclose the purchase price, described the acquisition as "a natural extension of our existing board manufacturing and conversion business in the UK".

Placing values Pittencrieff at £20.46m

Pittencrieff, a Scottish oil company whose shares were previously traded on a matched-bargain basis, is graduating to the official list via a placing which gives it an initial market value of £20.46m, writes Clare Pearson.

Some 7.2m shares, representing 42 per cent of the enlarged capital, are being placed at 120p each. Apart from a small share sale by a non-executive director, all the proceeds represent new money.

Net assets per share following the placing will stand at 89.41p. The historic p/e at the placing price is 12.99 and the notional gross dividend yield 2.56 per cent.

For the first half of 1990 the company is forecasting a profit before tax of £450,000, which compares with £708,000 for the whole of 1989.

As a policy, Pittencrieff does not involve itself in exploration and is mainly concerned with oil and gas production and development in the US.

Financial adviser to the placing is Edinburgh-based Quayle Munro; Bell Lawrie and Grieg Middleton are brokers.

Acquisitions help boost NSM by 59%

By Andrew Bolger

NSM, the mining and building products group, yesterday reported that acquisitions lifted pre-tax profits by 59 per cent, from £16.52m to £26.2m, in the year to March 31, and announced its first foray into Europe.

Turnover rose 54 per cent to £171.4m (£110.93m), but earnings per share were up by a more modest 21 per cent to 9.75p (8.06p). The dividend is stepped up 17 per cent to 3.5p (3p).

Mr Don Carr, chairman, said the group's coal operations had performed better during the year, with those in the US making a considerable improvement. Substantial long-term contracts had been obtained to supply power stations with coal which met rigorous environmental standards.

In the UK, the group had suffered from some licensing and planning delays, but the result showed an advance on last year. Recent legislation increasing the site licences available from British Coal, coupled with a reduction in the royalty payment, was good news for the future of these operations.

Mr Carr said Bison, the building products division, had a strong year with like-for-like profits up 35 per cent. This was indicative of the strength of the business, given the problems that had beset others in the building sector.

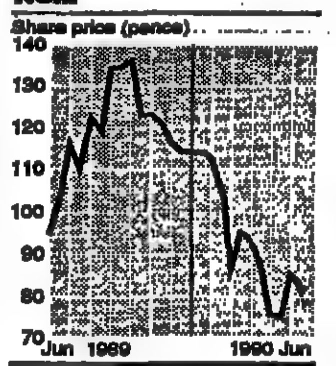
Bison had agreed to pay Fl 28m (£8.5m) cash for a Dutch company, Monoliet Beton Breda, which makes pre-cast concrete flooring. In 1989 Monoliet produced pre-tax profits of £1.6m on turnover of £10.9m, and at the year-end its net assets were £3.1m. The present management would remain.

Mr Carr said the Dutch company would share the Bison trade name and be used as an entry point for the full range of the group's building activities, which includes concrete, steel, plastics, timber products and air conditioning.

NSM intends to build a third leg of business in the treatment and disposal of waste. Its first two landfill sites will start operating next month in the Midlands, and the company is seeking permits in the US to landfill on its own property and to acquire existing landfill operations.

NSM

Share price (pence)



● COMMENT

NSM's share price was chased up last year as the market became excited about the potential of waste disposal in the US – enthusiasm which evaporated as the problems involved in obtaining licences sank in. The decline was speeded as the City realised that the building downturn was spreading to the commercial sector, upon which Bison relies much more than private housing. A £49m rights into a falling market in February did not help, and in March Anglo United said that its 21 per cent stake was up for sale. However, Bison is a first-class business, even if it may struggle to maintain profit levels in the current year, and the Dutch acquisition looks a shrewd move. Analysts are now looking for profits of about £32m next year. At 82p, up 1p on the day, the shares are on a prospective multiple of just over 8. That looks good value in the long term, given the strength of the US coal business and the so far unrealised waste disposal prospects.

Reckitt studies colours sale

By David Owen

RECKITT & COLMAN, the UK food and household products group which recently bought most of American Home Products' Boyle-Midway household division for $1.25bn, is reviewing whether to sell its Reckitts Colours pigment business.

Interest has been expressed in acquiring the division, which manufactures Ultramarine – a laundry pigment – as well as various industrial products.

Analysts estimate that the unit, which is based in the UK and France and earned pro forma operating profits of £4.6m on turnover of £23.2m in 1989, could fetch between £35m and £50m. The Brazilian Globo operation is not included.

Reckitts Colours was not among the three or four non-core subsidiaries earmarked for disposal by the group in March upon clinching the Boyle-Midway deal in order to raise £150m.

Mr David Saltmarsh, company secretary, explained yesterday that Reckitt had seen no evidence then that the time was right to sell the unit. "We perceived we would not be able to get the sort of price to justify disposal," he said.

However, the company had now decided that it "simply cannot ignore" subsequent unsolicited approaches. "Perhaps the time is right" after all.

The announcement raises the prospect that Reckitt's disposal programme may yield more than the £150m originally targeted. The expressions of interest in Reckitts Colours have channelled the group's attention to the fact that there are still businesses and brands which are not central to its strategy, according to Mr Saltmarsh.

The shares climbed 2p to 1309p.

AH Ball down 14% in first year on USM

Taxable profits of AH Ball Group, the water pipeline contractor, continued to fall in the second six months and for the year to end-March showed a decline of 14 per cent to £1.22m.

Turnover expanded from £5.81m to £6.27m. A £58,000 rise in interest income to £133,000 was more than offset by a £76,000 increase to £986,000 in administration costs.

Earnings fell by 4.19p to 12.26p. A final dividend of 4.55p makes a 6.75p total – Ball joined the USM 12 months ago.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Ball (AH) §	fin	4.55	Aug 3	-	6.75	-
Booth Inds	fin	2.5	-	1.6	3.2	2.2
Davy Corp	fin	6.25†	Sept 7	6	9	8.5
Hambros	fin	7.9	Sept 3	6.7	11.5	10
Hoskyns	int	0.75	Aug 8	0.65*	-	2.1*
Marina Devs §	fin	7†	Oct 31	5.5	12	7.5
Mountview Ests	fin	7.5	Aug 20	7.5	11.5	9.5
NSM	fin	3.5	-	3	3.5	3
Phoenix Timber	fin	1.65	Aug 1	1.65	2.75	2.75
Quiligotti §	fin	1.44	Sept 17	0.17	2.2	0.17
Sheriff §	int	1.9†	Aug 24	0.75	-	4.5
Stirling	fin	1	Oct 12	0.85	1.5	1.35
Tams (John) §	fin	2.4	Aug 17	2.4	3.78	3.6
Unigate	fin	9.6	July 30	8.6	15.3	13.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Holmes chief resigns

Mr Ernest Potter, ex-finance director of Cable & Wireless, has resigned as chairman of Holmes Protection Group, the New York security company which has a London listing, for family reasons. The shares fell 3p to 12p yesterday.

Mr Potter joined the company last October as a non-executive director and became chairman when Mr Brian O'Connor stepped down in January.

However, he has been on leave since April.

Holmes, which has effectively been under new management since January, is to announce its 1989 results tomorrow. Analysts expect the figures to include substantial provisions.

UK COMPANY NEWS

Phoenix Timber planed down to £0.66m

By Clare Pearson

PHOENIX TIMBER Group, where Mercurius, the Swedish industrial and investment group, this week lifted its stake to 29.3 per cent, yesterday announced pre-tax profits down from £1.42m to £656,000 in the year to March 31.

But the Essex-based timber products and property care services business emphasised that 1989 was also marked by a significant strengthening of the balance sheet. Mr Peter Quinn, chairman, said this stood it in good stead to weather another difficult year for the building industry.

Year-end net gearing had fallen from 82 to 40 per cent. This followed the sale last September of Phoenix's wharf and adjoining 17-acre site at Rainham for £5.75m. The net interest charge stood at £2.46m (£1.88m).

Mr Quinn said Phoenix had had only "very little contact" with Mercurius, which on Tuesday announced it had raised its stake, built up since last November, from 28.3 per cent.

"They have assured us they are long-term investors, but they haven't elaborated on that," he said. "I don't get the impression they are very disposed to answering questions."

Phoenix achieved a 10 per cent rise in turnover to £70.41m (£64.03m) during the year. But operating profits declined by £186,000 to £3.12m, reflecting, the company said, "severe competition in a depressed market".

Earnings per share fell to 4p (10.2p). An unchanged final dividend of 1.65p is recommended, making a same-again 2.75p for the year.

Mr Quinn said that two directors promoted to the board only 18 months ago, Mr Ian Tozer and Mr David Peggie, had left the company and were not being replaced "until there is an improvement in outlook".

Mercurius now has by far the largest shareholding in Phoenix. Four UK institutions account for a further 33.9 per cent. Directors hold about 5 per cent.

Formed only last year, the Swedish company is involved in company rescues and reorganisations as well as holding share stakes in a number of companies. In the UK these include Chloride, the battery group, and Coloroll, the home furnishings company which last month went into receivership last month.

Quiligotti slips 12% to £2.07m

Quiligotti, the Cheshire-based manufacturer of terrazzo flooring tiles which came to the USM in March 1989, yesterday reported a 12 per cent decline in taxable profits for the year to end-March 1990.

In spite of the widespread downturn in the UK construction industry, the group saw turnover expand from £17.75m to £20.45m in a year which showed increased penetration in the UK market and the establishment of subsidiaries in the US and the Irish Republic.

Profits dipped to £2.07m (£2.34m). Mr John Riordan, the chairman, said gross margins had held up well in the hard flooring business, but had fallen significantly in the fire surround divisions, reflecting the slowdown in consumer spending.

Earnings per 5p share worked through at 4.4p, down from 5.7p last time, and a proposed final dividend of 1.44p makes 2.2p (0.17p) for the year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Dundee & London Investment Trust, Mid Kent, River Plate & General Investment Trust, Soundtracs.

Finals- Alpine, BTP, Cassidy Brothers, [illegible] International, F & C [illegible] Investment Trust, Gold Greenlees Trott, TGI, United Industries.

FUTURE DATES

Interims-	
BAT Industries	Sept. 5
Cookson	Sept. 6
First National Finance	July 2
Greenwich Communications	June 28
Persimmon	Sept. 3
Rolls-Royce	Sept 13
Sandell	June 29
Throgmorton Trust	June 29
Yorkshire Chemicals	Aug. 1
Finals-	
Asprey	June 29
[illegible]	July 3
BS & EA	July 12
Ferminster	July 27
Markheath Securities	June 28
Murray Income Trust	Sept. 3
Pacific Dunlop	Sept 14
Priest (Benjamin)	July 12
Stanley Leisure	July 18

Sharp advance in spite of uncertainty over future ownership

Hoskyns surges 22% to £8.2m

By Alan Cane

HOSKYNS, the leading UK computing services company which GEC and Siemens put on the market six months ago, increased its profits from £6.7m to £8.2m pre-tax for the half year to end-April.

The 22 per cent improvement was achieved in spite of a significant slowing in the UK software market and continued uncertainty over its ownership.

Sales advanced by 28 per cent to £111.7m while earnings per share rose 17 per cent to 6.3p. The interim dividend is stepped up from 0.65p to 0.75p.

Mr Geoff Unwin, executive chairman, said the company had displayed a reassuring resilience in spite of "a general economic tightening and uncertainty over the company's ultimate ownership." He expected to report another year of solid performance.

Hoskyns, which specialises in facilities management and running computer systems on its customers' behalf, is the most consistently profitable of the UK's large computer services companies and has shown a consistent series of increases in earnings per share over the past decade while other major players in the sector have performed patchily.

Mr Unwin warned, however, that market circumstances meant that he did not expect to see much, if any, growth between the first and second halves of the current year.

GEC and Siemens put the company on the market as a consequence of their acquisition of Plessey last year. Mr Unwin said that Siemens had renewed the facilities management contracts with Hoskyns which it had acquired as a result of the Plessey deal, while GEC was running them down.

Facilities management sales to GEC and Siemens were worth a little over £30m; loss of revenues as a result of GEC's withdrawal were difficult to calculate but would be several million. The company would have to run very hard, Mr Unwin said, to replace the lost revenues in the current economic climate.

Geoff Unwin: displayed a reassuring resilience

The sale of the company had been delayed much longer than he had anticipated. Talks were still going on with a number of companies of whom three or four could be considered serious suitors, Mr Unwin said. There had been interest from the US, Europe and Japan.

Mr Unwin would not comment on suggestions that likely bidders were the US Baby Bells or the Japanese facilities management house CSK.

A deal had not been concluded, he said, because the business outlook for the sector had changed, other services companies had shown patchy performances in the past few months, and because of economic uncertainties.

The delay had hurt business in terms of staff recruitment, possible acquisitions and in securing major contracts.

Takare seeks £18.8m to speed expansion

By Clare Pearson

TAKARE, the fast-growing nursing home group, yesterday announced an £18.8m share placing and open offer to enable it to meet stronger-than-expected demand from district health authorities.

Takare, a beneficiary of the Government's drive for the National Health Service to contract out, also forecast that pre-tax profits would almost double to £4.25m (£2.15m) in the year to end-December.

Earnings per share are expected to rise by 52 per cent to 27.6p and the dividend payment by 59 per cent to 4.3p.

Three major contracts awarded this year from district health authorities in Ealing, Glasgow and Chester have brought the total revenue value of Takare's long-term contracts to more than £200m.

Yesterday the shares closed unchanged at 560p. The new shares being conditionally placed, with clawback for shareholders on a two-for-seven basis, are priced at 550p.

The company is also proposing a four-for-one subdivision to improve the marketability of its tightly-held shares.

Takare said its building programme had accelerated and it expected to have more than 2,700 beds in use or under construction at the end of the year. This number meant it was growing faster than it envisaged last year. Then it foresaw that four new homes would be completed during 1990 and the figure would rise to at least six per year by 1992.

The open offer and placing follows a £21m cash call on shareholders which Takare made in May last year, when it leap-frogged from the Third Market to the official list. The company said yesterday that high UK interest rates meant a further tranche of its £9m debenture stock could not be made on acceptable terms.

After the share issue, directors will speak for 36 per cent of the company, down from more than 50 per cent. The stake held by Singer & Friedlander, the merchant bank, will rise from 22.34 per cent to 29.39 per cent.

Singer & Friedlander has agreed to restrictions on the voting rights attaching to shares held over 20.5 per cent. An early investor in Takare, it also has an unusual agreement preventing it from accepting a hostile bid, subject to the management meeting certain performance criteria, until 1998.

Aberdeen Trust launches new $41m Far East fund

ABERDEEN TRUST Holdings has, through its Aberdeen Fund Managers investment management subsidiary, launched New Asia Fund, a $41m (£23.8m) closed-end Guernsey-based fund.

The fund will invest in the less mature markets of the Far East – mainly comprising Indonesia with an initial 30 per cent, Thailand with 30 per cent, and Malaysia with 25 per cent – and has been targeted at investors outside the UK, mainly in Japan and continental Europe.

Sponsored by Goldman Sachs International, the launch is taking the form of a placing of 4.1m ordinary at $10m apiece with investors entitled to one warrant for every five shares held.

Mr Hugh Young, director of Aberdeen Fund Managers, is investment manager of the fund and on the board will be Dr Chesada Loha-unchit, managing director of Tara Siam Business Information and a former vice-president of the Industrial Finance Corporation of Thailand, and Dr Kamal Bin Mat Salih, a director of the Malaysian Institute of Economic Research, the Bank Bumiputra Malaysia and Cement Industries Of Malaysia.

Slump in UK housing market holds back profits advance

Hambros improves 10% to £75m

By David Lascelles, Banking Editor

Alan Harper

Chips Keswick: the bank earned $5m as Sir James Goldsmith's adviser in his unsuccessful BAT bid

THE SLUMP in the UK housing market put a damper on profits at Hambros last year, holding growth to 10 per cent at the pre-tax level.

The merchant banking, financial services and estate agency group yesterday reported profits of £75.3m, up from £68.7m, for the year ending March 31. The outcome after tax and minorities was £59.2m, against £40.3m.

The bulk of the increase came from the banking side where income rose 74 per cent to £64.1m reflecting growth in nearly all businesses and geographic regions. The division also benefited from £81m of new capital which was generated from last year's acquisition of Hambros Investment Trust (HIT).

Mr Chips Keswick, chairman of Hambros Bank, said that the main contributors to banking profits were leasing and asset management, treasury operations and Eurobonds. The bank had also earned $5m (£2.9m) as adviser to Sir James Goldsmith's unsuccessful £13bn takeover bid for BAT Industries.

Hambros' direct investments generated record profits of £37.1m (£25m). These include a 19 per cent stake in CE Heath, the insurance brokers, and 89 per cent of Berkeley Hambro Property.

However, there was a loss of £9.2m on the retail financial services side which includes Hambro Countrywide, the estate agency business. Mr Christopher Sporborg, chairman of group investments, said the housing market "remains extremely uncertain", though he was confident about Hambro Countrywide's prospects because measures had been taken to make it "lean and mean", and diversify its sources of earnings.

Overall, Mr Charles Hambro, group chairman, said that the performance had continued to be "encouraging". The rise in banking profits rested on a liquid balance sheet, strong ratios and a wide spread of business. Hambro Countrywide was also ready to take advantage of an upturn in the housing market, while the investment portfolio was well diversified and conservatively valued.

There were no direct profit benefits from Hambros' shareholding links with Istituto San Paolo of Italy (which owns 12.3 per cent) or Banco Bilbao Vizcaya (5 per cent) in terms of added cross-border business. But Mr Sporborg said the banks were co-operating in funds management.

Hambros also remains unconcerned, he said, by the 14 per cent stake acquired by Baltica, the Danish insurance group which is 28 per cent owned by Banque Indosuez. Hambros' other major shareholders are GRE (9.5 per cent), Norwich Union (4.85 per cent) and Mitsui Taiyo Kobe Bank (4.77 per cent).

The result represented a 25 per cent rise in basic earnings per share to 31.3p, though taking into account the potential dilution of the convertible preference shares issued for the HIT acquisition, the rise was 15 per cent to 28.9p.

The dividend is increased by 15 per cent to a total of 11.5p via a recommended final of 7.9p.

Offshore losses check Davy

By Jane Fuller

PROBLEMS WITH a contract to provide a North Sea oil platform restricted the profit improvement at Davy Corporation, the engineering and construction group, to less than 5 per cent.

The share price fell 14p to close at 234p.

While turnover grew by 32 per cent to £1.28bn (£968.19m), pre-tax profit edged up from £28.84m to £30.14m in the year to March 31. But after an increased tax charge of £10.55m (£8.35m), earnings per share fell to 19.8p (21.2p).

Losses in the offshore division totalled £25.57m, compared with the previous year's deficit of £2.8m. The division also made a loss in 1987-88.

The main factor this time was provisions against losses on a £120m contract to provide a floating production platform for the Emerald oil field in the North Sea. The group said changes in the scope and timing of work had driven up costs and caused delays.

Smaller contracts had also incurred losses and there were unrecovered overheads at some of the yards.

The metals division made the biggest contribution to pre-tax profit, £21.72m compared with £19.4m. Mr Roger Kingdon, chief executive, said particularly good progress had been made in North America and the Far East.

This year, the metals business would be enhanced by the recent acquisition of Clecim from Spie-Batignolles, the French construction group which took a 14.7 per cent stake in Davy as part of the deal. Mr Kingdon said Clecim had warranted pre-tax profits of about £7m for the current year.

The process division bounced back to a profit of £16.77m (£290,000) after putting behind it loss-making contracts for flue-gas desulphurisation plants in West and East Germany.

The West German business had done well from projects dealing with synthetic fibres, polymers and films. A good contribution had also come from energy and environmental projects.

In construction and property, where profit advanced by 50 per cent to £12.27m, gains on property and from road building and industrial and commercial work made up for a break-even performance in housing.

Mr Kingdon said the group had "vigorously damped down" its residential activities.

Mechanical handling and services contributed £1.65m and £3.68m respectively. This year, the latter would benefit from the acquisition of Sight and Sound Education, a provider of clerical and office training.

The group received £8.85m (£5.88m) in interest. The £95.9m cash held at the end of the year mostly comprised advance payments from customers.

A recommended final dividend of 6.25p makes a total of 9p (8.5p) for the year.

See Lex

John Tams disappointed with £2.52m

John Tams Group, the USM-quoted maker of mugs and tableware in earthenware and fine bone china, managed a 6.5 per cent increase in pre-tax profit for the year ended March 31 1990.

Mr Gerald Tams, the chairman, said the result was "somewhat disappointing", but added that trading had shown some improvement since the final quarter.

Turnover expanded 46 per cent to £18.01m and operating profit 25 per cent to £3.04m. But higher interest charges of £524,000 (£69,000) limited pre-tax profits to £2.52m (£2.37m).

Final dividend is a proposed 2.4p for a total of 3.78p (3.6p).

On prospects, Mr Tams said the improved trading, backed up by completion of the large capital investment programme, left the group "in the very best possible position to move ahead strongly and to benefit from any increase in business activity in the coming months".

Premier Cons hints at large discovery

By Steven Butler

PREMIER Consolidated Oilfields, the UK independent oil company, yesterday reported a 3.7 per cent rise, from 11.67m to £12.11m, in net earnings for the year to March 31.

This was struck after an extraordinary profit of £4.84m (£5.13m) derived from the sale of shares in Ultramar.

Mr Roland Shaw, chairman, described the result as satisfactory and said it would enable Premier to pursue an ambitious 38-well exploration programme this year. Current profits are of only secondary interest to the company, which aims primarily to increase asset values.

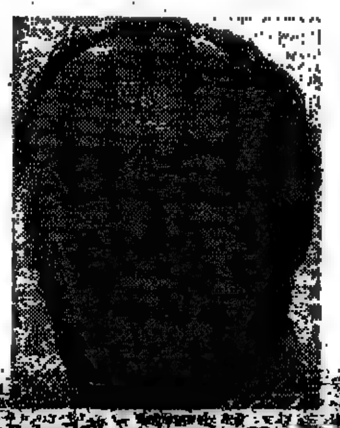
Mr Shaw said testing would begin today on an exploration well drilled in the Gulf of Thailand close to three other wells Premier has drilling in the area. Two of the earlier wells were oil discoveries, and the third dry.

Premier raised the possibility of a larger oil discovery at a deeper, thicker reservoir which it believes may run under the area. However, it emphasised that extensive seismic and drilling work would be required in the years ahead to evaluate the full potential of the concession. About half of the company's concession must be relinquished next year. However Premier has identified three separate sedimentary basins, and will be able to return sufficient acreage without losing potential oil finds.

Premier's share price rose strongly following the initial discovery in Thailand about 18 months ago, although the shares are now well below earlier peaks.

Production from the UK onshore field at Wytch Farm is expected to increase at the end of this month. While this will increase turnover for the company, it is not expected to boost profits substantially this year due to start-up costs.

Turnover was £20.33m, down from £21.41m previously. Earnings per share rose to 1.70p (1.54p). No dividend is being awarded, although a one-for-10 scrip issue is proposed.



Roland Shaw: pursuing 38-well exploration programme

COMMENT

Leave it to Mr Shaw to spice up the annual results with tantalising hints of big oil reserves about to be found. A charge will be detonated today underneath the Gulf of Thailand to perforate and test the latest exploration well, where hydrocarbons have been confirmed. It just may be the big one. Still, some of the old magic has been lost, and the shares advanced by only 2p to 94p. The market is growing impatient for solid evidence that Premier has made a commercial discovery and that it is not just being led on in a long and expensive search in a geologically complex basin. The share price may have plenty to shed if that turns out to be the case. With Burmah Oil's near-30 per cent stake in Premier apparently seeking a new home, it is hard to the see the shares moving much higher in the near term unless Thailand comes in very big.

NEWS DIGEST

Stirling unchanged at £2.74m

STIRLING Group maintained its profits in the year to March 31 1990 on turnover ahead 6.5 per cent.

Mr Peter Sheldon, chairman, said it was a measure of the group's inherent strength and, in particular its relationship with Marks and Spencer, the principal customer, that it was able to maintain a level of overall profitability that compared favourably with others in the sector.

It was a difficult year for ladies fashion; there were also considerable changes in the group's management, he said.

Turnover moved up to £42.82m (£40.21m) while the pre-tax profit was virtually unchanged at £2.74m. Earnings were 5.09p (4.7p) and the interim dividend is lifted to 1.5p (1.35p).

Current orders suggested a changed pattern of trade between the two halves. Indications were that the first six months' profit would show a decline; but benefits of improved margin control and higher order levels should lead to a better performance in the second half.

Marina Devs 29% ahead to £5.9m

Marina Developments, the subject of two takeover approaches during the past 15 months, yesterday reported a 29 per cent increase in pre-tax profits to £5.88m for the year to end-March.

The company's shares are currently traded on the USM but Mr David Heimann, chairman, said Marina intended to apply for a full listing shortly.

Turnover benefited from sales of residential units in conjunction with berths at the marina villages, a new concept for the group, and surged from £8.48m to £20.34m.

At the operating level profits were up from £2.9m to £5.52m. There was a swing from interest income of £644,000 to charges of £74,000 and a fall in exceptional income from £1.03m to £388,000.

Tax accounted for £2.12m (£1.61m) leaving earnings 3.1p higher at 22.8p per 50p share. A recommended final dividend of 7p makes a 12p (7.5p) total.

At the year-end net asset value per ordinary share stood at 749p (630p).

Improved prospects for Sunleigh

Mr Tony Merryweather, chairman of Sunleigh, a maker and distributor of electronic and electrical equipment, told the annual meeting that the market for industrial products during the first few months of 1990 had been difficult due to prevailing economic conditions.

That, he said, had particularly affected capital goods sales from the advanced products division. He also pointed out that there had been delays in component and product supplies mainly because of a six-week strike at an overseas supplier.

Shareholders were told that those factors confirmed the statement made in the annual report that profits for the year were likely to be biased towards the second half.

Mr Merryweather added that with the leisure products division beginning this month with an exceptional order book of £1.75m and the imminent launch of a new pull trolley, group prospects for the next few months had been considerably improved.

Bradford Property declines by £3m

Taxable profits of the Bradford Property Trust fell from £21.4m to £18.32m for the year to April 5.

The surplus from property rentals rose by £870,000 to £7.34m but profits from sales of dealing properties declined by £3.37m to £10.12m.

Tax took £1m less at £6.23m and earnings emerged at 8.34p (9.71p).

A final dividend of 1.7p is proposed for a 3.2p (2.8p) total.

46% midway profit growth for Sheriff

With its core hire business progressing well and an improving contribution from less mature depots, Sheriff Holdings lifted pre-tax profits by 46 per cent in the half year ended March 31 1990.

On turnover up 16.5 per cent to £5.07m (£4.34m), this USM-quoted hirer of plant, tools and waste disposal services expanded pre-tax profit to £560,000 (£384,000).

Earnings were 6.2p (5.5p) and the interim dividend is lifted to 1.9p (0.75p).

Directors said continuing strong cash flow allowed capital expenditure to be maintained while holding down gearing to less than 40 per cent.

Structural activities lift Booth Industries

A significant contribution from structural steelwork activities helped profits and earnings increase substantially at Booth Industries in the year to March 31.

Taxable profits of the steel engineering and design group rose 57 per cent from £616,448 to £967,507 on turnover of £38.31m (£27.84m).

After tax of £374,842 (£222,766) earnings per share advanced 48 per cent to 14.82p (9.99p).

The final dividend is increased to 2.5p, for a total of 3.2p (2.2p) for the year.

Directors said that in spite of some slowing in the commercial market a satisfactory start had been made to the current year. The company was reviewing how best to take advantage of the continental market.

Mountview Estates falls to £8.95m

Mountview Estates proposes to maintain its final dividend at 7.5p for the year to March 31 in spite of a 24 per cent fall, from £11.71m to £8.95m, in taxable profits.

Turnover of this property dealer was down 12 per cent from £15.49m to £13.66m.

Operating profit of £9.36m compared with £11.77m, and interest charges jumped to £410,921 (£53,369).

After tax of £3.14m (£4.09m), earnings per share came through at 126.7p (161.9p).

Growth in energy demand is slowest since 1983

By Steven Butler

THE GROWTH in world energy demand last year was the slowest since 1983, according to the annual BP Statistical Review of World Energy, released yesterday. Demand rose by just 2 per cent to 8bn tonnes of oil equivalent.

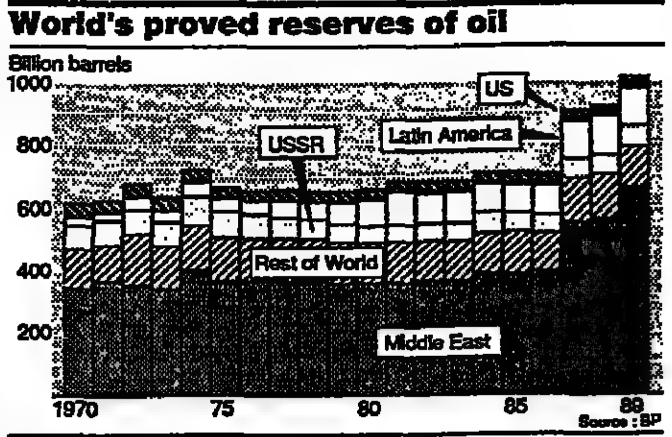
Mr Steve Ahearne, BP's chief financial officer, attributed the slow growth to higher oil prices, sluggish economic growth and the exceptionally warm winter. "If the pattern were to continue it would clearly have major strategic implications for the major players in energy," he said.

Asia accounted for the biggest source of increased demand, rising by 6.5 per cent, while demand fell in Europe and grew by only 1.6 per cent US. The US is the world's largest energy consumer, accounting for 24.6 per cent of the world total. Per capita US energy consumption in the US is more than 2¼ times Western European levels.

The increase in world oil demand, which resumed in 1986, continued, although at a slower rate of just 1.5 per cent. None the less, world consumption has risen to the 1979 peak of nearly 65m barrels a day.

The fastest growing energy source was natural gas, where consumption rose by 4 per cent and now accounts for more than a fifth of world energy.

World's proved reserves of oil



Nuclear power production also increased by 3.6 per cent, although this was well below the average increase for the 1980s of 11 per cent a year.

Coal demand increased by only 1.5 per cent, with an 8 per cent increase in China offset by a decline of more than 4 per cent in the Soviet Union and Eastern Europe.

Mr Ahearne predicted continuing volatility in oil markets, although BP expected oil markets to tighten in the latter half of the decade.

Average oil prices last year were $18, $3 higher than the year before, in spite of a 2.1m b/d increase in Opec production to 23.2m b/d. Higher Opec production, however, was offset by a 6.3 per cent decline in the US to 9.2m b/d, a 2.6 per cent decline in the Soviet Union to 12.5m b/d, and a 19.7 per cent fall in the UK to 1.9m b/d. Overall, world oil production rose 1.7 per cent to 63.6m b/d.

The world's proven oil reserves also increased to a record of 1,012bn barrels. Most of the increase came from Saudi Arabia, which with 255bn barrels now has over 25 per cent of the world's oil reserves. These reserves would last for 44.4 years at current rates of consumption.

BP Statistical Review of World Energy, BP, Britannic House, Moor Lane, London EC2Y 9BU. Single copies free.

Australia imposes wool levy of 18%

THE WOOL Council of Australia has agreed to a levy of 18 per cent of sales proceeds for the 1990/91 season to June 30, up from 8 per cent for the current season, Reuter reports from Sydney.

Mr James Hoadley, executive director, said the levy would comprise 14.15 percentage points for the market support fund, 3.50 per cent for promotion and 0.35 per cent for research and development.

"The council was forced to reconsider the wool levy as a consequence of the Government's decision to reduce the floor price to 700 cents a kg clean," he said. The wool tax levy requires approval from the Minister for Primary Industries.

The Australian Government has legislated for a wool tax ceiling of 20 per cent.

The council, the national woolgrowers' body, said it estimated average real returns to woolgrowers would fall 34 per cent in 1990/91.

"Woolgrowers should be aware that the council has sought to minimise the levy, to reduce the effect on their incomes. However, industry borrowings are expected to exceed A$2bn, and the market support fund must be able to service the interest repayments on this debt," it said.

The Wool Council said all growers would be hit hard by the market downturn as the wool levy was collected on all wool sold.

Timber forests put on the block

Dai Hayward reports on the sale of logging rights in New Zealand

More than 100 forestry companies from around the world are interested in bidding for New Zealand's vast state-owned forests, which are up for sale.

The 550,000 hectares of mostly pine trees are valued between NZ$2.5bn and NZ$4.5bn.

Half of the potential bidders, who have all paid a large fee to obtain the highly detailed documentation on the 99 separate forests being sold, are from overseas. Most are based in Asia with strong interest also coming from North and South America, Japan and Scandinavia.

First bids for the two-thirds of the total area are due in July but the successful bidders will not be known until August.

The companies are tendering for logging rights only – the NZ Government is retaining ownership of land. Buyers will also get ownership of the existing infrastructure including logging roads and buildings.

Logging rights will be granted for between 35 and 70 years, depending on the age of the trees and other factors affecting individual forests, but provided the new owners replant the trees or turn the cleared land into suitable grazing grassland the leases are automatically extended for 12 months every year.

The state-owned forests occupy about half of New Zealand's 1.2m hectares of planted forests. They cover vast areas and some stretch unbroken for many miles in every direction. They include the huge Kaingaroa Forest, the largest man-made forest in the world.

New Zealand forest: 550,000 hectares open to tender

Originally managed by a government department, the state forests were transferred to a corporation, run as a public company, three years ago as part of the Labour Government's privatisation programme. The corporation has been highly successful. Last financial year it made an operating profit of NZ$95m and NZ$80.7m in only the first six months of the 1989-90 year.

It has harvested 13m cubic metres of wood in the last two and a half years. It replanted 29,000 hectares of logged forest land and added another 18,500 hectares of new plantings.

This past year more than 5m cubic metres of wood have been milled. Most of the corporation's trees have been exported in the form of logs. Last year 480,000 cubic metres of logs were shipped – compared to 260,000 cubic metres the previous year. New Zealand log exports last year, from both state and privately owned forests, was 1.2m cubic metres.

In the past two years Korea and the Peoples Republic of China have become major customers for New Zealand pine logs. Japan is another big buyer. It also imports a huge tonnage of wood chips.

New Zealand's forests are growing faster than the amount being harvested.

Total forest and timber exports are now worth NZ$1bn a year. However both wood growth and production will expand rapidly in the next five years with production doubling by the end of the century.

By the year 2000 a renewable harvest of up to 30m cubic metres of wood is predicted. Most of New Zealand's man-made forests are planted with radiata pines. Some countries where this tree is relatively unknown are yet to be convinced of its suitability as a general purpose building timber but it is rapidly gaining greater acceptance. As this grows so will the value of New Zealand's forestry exports.

The companies lining up to obtain a share of NZ's huge state forest resources are aware that their investment could quickly increase in value. Decades of planned renewable forestry management has given New Zealand one of the world's most viable and potentially lucrative forest industries.

The management teams which have planned, harvested and marketed the state forests will be disbanded when the sale is completed. Many are expected to be "bought" with the trees.

Low silver prices cut production prospects

By Kenneth Gooding, Mining Correspondent

AS SILVER prices languished at the lowest level for 13 years yesterday, the Washington-based Silver Institute said poor prices cut mine production of the precious metal from 334.5m troy ounces in 1988 to 333.1m ounces last year.

Many companies have cancelled or postponed expansion plans so that projected silver production in the next few years is well below that forecast a year ago.

Mr John Lutley, executive director of the institute, said: "For example, more than 34m ounces of future production has been cut from the three years 1990-92."

Silver's price dropped below the psychologically-important $5 an ounce level on June 14 and last night closed at $4.82 down 2c.

In its annual review of silver production trends the institute said Peru remained the biggest producer last year with an output of 59.2m ounces.

The rest of the silver "top ten" were: Mexico, 58.8m ounces; US, 54m; Soviet Union, 50.8m; Canada, 40.6m; Australia, 35.1m; Poland, 34.2m; Chile, 16.3m; North Korea, 10m; and Bolivia, 9.7m ounces.

World Mine Production of Silver 1989-93, US$28 from the Silver Institute, 1026 16th Street, NW, Suite 101, Washington, DC 20036, USA.

Polish trader offers coking coal to India

By Christopher Bobinski in Warsaw

ELEKTRIM, a Polish foreign trader traditionally specialising in energy equipment, has offered to deliver 400,000 tonnes of coking coal to the Visagh steel works in the Indian state of Utar Pradesh.

The offer marks the end of the monopoly on foreign trade in Polish coal held for nearly 40 years by Weglokoks, another foreign trading company.

Weglokoks has warned that such competition between Polish companies for foreign markets could lead to a fall in Polish coal prices. Elektrim, meanwhile has denied charges that its prices are below those quoted by Weglokoks.

At the same time it is considering offering annual supplies of more than 2m tonnes of coking coal to the Steel Authority of India. Supplies of the coal would be linked to contracts for an expansion of power plants at three of the authority's steel mills.

Poland expects to sell 30m tonnes of coal abroad this year compared to 29m tonnes last year.

Obstacles face cocoa producers

THE WEST German Cocoa Trade Association said producer countries seeking to export processed cocoa faced, particularly similar products from industrialised nations, Reuter reports from Accra.

In a paper delivered in Ghana at a meeting of the International Cocoa Organisation's advisory group on the world cocoa economy, it said it was a mistake to assume local processing would automatically boost foreign currency income. Efficient production was capital intensive and could be a drain on foreign currency.

Rehabilitation of environment wins Global 500 award

By Kenneth Gooding, Mining Correspondent

THE COST of protecting the environment while mining is taking place need not be prohibitive, says Mr Roger Vines, executive director, Western Australia operations of Alcoa of Australia.

His company spends US$9.24m a year on rehabilitation, planning operations and research. It has on its full-time staff an environmental team made up of 25 professionals, including foresters, botanists, and zoologists. Rehabilitation costs are A$14,500 a hectare or about US$4,520 an acre.

Mr Vines says this has a negligible impact on the cost of producing bauxite and alumina – Alcoa of Australia produces about 5.5m tonnes a year of alumina, or 18 per cent of Western supply, and its turnover is more than US$1bn. Mr Vines does not see the environmental spending as a mining cost. "It is an investment to ensure that we will be able to continue mining."

Alcoa of Australia is the first mining company to win a Global 500 award from the United Nations Environmental Programme, which set out in 1986 to develop over five years a list of 500 individuals and organisations deserving international recognition for environmental accomplishment.

In its citation the organisation said: "For 20 years, Alcoa of Australia has carried out a site reforestation programme in Western Australia that covers four bauxite mining areas in a unique forest, and three associated bauxite refineries. This successful programme integrates overall environmental protection with industrial development."

Alcoa of Australia, 51 per cent owned by Alcoa, the biggest aluminium producer in the US, and 49 per cent by Western Mining, one of Australia's biggest corporations, clears nearly 1,000 acres of forest each year for bauxite mining. Its reserves are in the Darling Range, near Perth, where the forest contains Jarrah trees which are found nowhere else on earth.

The company has gradually improved techniques over the years. For example, topsoil and the waste material, known in mining jargon as overburden, used to be removed together, stockpiled and returned months or years later. Now topsoil is stripped separately and returned fresh to rehabilitation sites to ensure the viability of seeds and nutrient content.

Seedlings formerly were planted "plantation style" in straight rows, frequently as monocultures. Now direct broadcast seeding results in a natural mix and distribution of species.

Alcoa's example has influenced Western Australian government thinking and the government's Conservation and Land Management Department now imposes very sophisticated requirements on new mining ventures.

The company is also spending A$1m a year for the next five years to help restore degraded sites in other parts of Australia as well as providing financial support for the Greening Australia organisation, supplying trees and some expertise. Alcoa recently announced it was to expand its most modern alumina refinery at Wagerup at the cost of more than A$300m to boost the company's total capacity to 6m tonnes a year by 1993.

So far the company has made an impact on only one half of 1 per cent of the forest. "But the expansion means we will be moving a bit faster through the forest," says Mr Vines. "And people must be satisfied that we know what we are doing."

The office of the Suriname Aluminium Company, in the bauxite mining town of Moengo has been damaged by explosives set by anti-government rebels, according to government officials in Paramaribo, the capital, *Canute James reports from Kingston.*

Representatives of the company, a subsidiary of the Aluminum Company of America, said they had not yet been able to assess the damage and possible impact on the bauxite mining and refining and aluminium smelting industries.

The company recently suspended foreign currency payments to the Suriname Government, saying it would resume the payments when the Suriname army cleared roadblocks and when obstacles were removed from a river used to ferry ore.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices fell sharply on the LME yesterday afternoon, following renewed weakness on Comex, where talk was circulating that LME warehouse stocks could rise by as much as 10,000 tonnes tomorrow. Both zinc and aluminium prices were also in retreat on the LME. Traders said liquidation orders and selling ahead of a possible break below $1,600 a tonne for three-month zinc weighed on prices. Aluminium's easier tone contributed to zinc's weakness, reflecting the possibility of substitution that would arise if zinc remained at a premium over a prolonged period. Traders said three-month aluminium attracted persistent support at $1,560 a tonne. In contrast nickel prices advanced strongly following confirmation that Eramet-SLN's third-quarter sales will be affected by a strike at its mine and smelter in New Caledonia. London robusta coffee prices closed sharply down as roasters continued to back away. The strength of sterling against the dollar contributed to the fall. In New York orange juice futures were again down at midday in frenzied trading. "It's just been real crazy," said one trader of the hectic activity over the past four sessions.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$13.55-3.65w	-0.05
Brent Blend	$15.70-5.75w	-0.05
W.T.I. (1 pm est)	$16.88-6.90w	-0.19
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$218-220	-1
Gas Oil	$144-145	+1½
Heavy Fuel Oil	$61-63	
Naphtha	$136-138	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$348.00	+0.25
Silver (per troy oz)♣	482c	-2
Platinum (per troy oz)	$472.60	-5.55
Palladium (per troy oz)	$113.10	-1.90
Aluminium (free market)	$1550	-16
Copper (US Producer)	118½c	
Lead (US Producer)	45c	
Nickel (free market)	395c	
Tin (Kuala Lumpur market)	16.52r	+0.03
Tin (New York)	289c	+1
Zinc (US Prime Western)	87½c	
Cattle (live weight)†	105.03p	-2.04*
Sheep (dead weight)†	149.39p	-18.8*
Pigs (live weight)†	105.92p	-1.38
London daily sugar (raw)	$316.1t	+5.5
London daily sugar (white)	$389t	-1
Tate and Lyle export price	£298	+2
Barley (English feed)	£114.5w	
Maize (US No. 3 yellow)	£145	
Wheat (US Dark Northern)	£124.5	
Rubber (Jul)♥	54.75p	+0.75
Rubber (Aug)♥	55.25p	+0.75
Rubber (KL RSS No 1 Jul)	232m	+3
Coconut oil (Philippines)§	$325z	
Palm Oil (Malaysian)§	$272.5q	+2.5
Copra (Philippines)§	$217.5q	
Soyabeans (US)	£157	-1
Cotton "A" index	89.80c	-0.15
Wooltops (64s Super)	485p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	286.00	287.40	288.20 285.00
Oct	281.40	282.40	284.00 280.00
Dec	282.00	283.00	280.00
Mar	270.00	269.60	272.20 268.40
May	270.00	268.00	269.00 268.60
Aug	270.00	268.00	270.00 268.00
Oct	267.00	266.00	266.00
White	**Close**	**Previous**	**High/Low**
Aug	380.0	380.0	381.0 379.0
Oct	360.0	359.5	365.0 358.7
Dec	353.0	352.5	354.0 352.0
Mar	348.5	349.0	348.8 347.5

Turnover: Raw1482 (1440)lots of 50 tonnes. White 1144 (1576)
Paris- White (FFr per tonne): Aug 2140, Oct 2045 Dec 2000, Mar 1990, May 1985

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Aug	15.59	15.63	15.75 15.44
Sep	16.25	16.20	16.30 15.94
Oct	16.52	16.55	16.62
Nov	16.71	16.80	16.71
Dec	16.90		16.90
IPE Index	15.73	16.01	

Turnover: 12870 (12146)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Jul	142.00	142.00	143.00 140.50
Aug	143.25	143.75	144.25 141.75
Sep	146.25	145.75	146.75 144.25
Oct	150.00	149.50	150.00 147.75
Nov	152.25	151.75	152.25 149.75
Dec	153.75	153.50	154.25 151.50
Jan	152.75	152.00	152.75 151.50

Turnover 8139 (7134)lots of 100 tonnes

WOOL

The floor price reduction has done nothing to revive trading confidence, if competition for wool at auction and business on Bradford and other markets are any guide. The Australian Wool Corporation is buying over half the offering, as much as 65pc on occasions. With the Australian dollar forecast to weaken in months ahead, and heavier wool supplies at least in the first half of next season, the incentive to buy now rather than waiting to see what happens is negligible. The sluggishness is greatest towards the raw wool end, where stock losses and financial pressures as a result of the 20pc reduction are greatest.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	778	776	788 754
Sep	802	797	812 778
Dec	828	825	840 808
Mar	852	847	862 830
May	872	865	880 850
Jul	891	884	896 870
Sep	911	904	912 895

Turnover: 7168 (3273) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 19 1003.45 (1007.71) 10 day average for Jun 20 1003.86 (1010.08)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jul	577	598	590 575
Sep	597	621	611 595
Nov	618	642	635 615
Jan	638	661	650 635
Mar	657	678	686 652
May	680	705	679 670

turnover: 6567 (3677) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 19: Comp. daily 70.12 (70.12). 15 day average 71.84 (71.90)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	88.5	90.0	90.0 88.0
Apr	122.1	125.0	125.5 121.0

Turnover 270 (195) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	115.00	115.00	115.00

Turnover 100 (35) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jun	1133	1128	1131 1125
Jul	1035	995	1035 993
Oct	1100	1065	1100 1045
Jan	1118	1073	1110 1085
BFI	1169	1161	

Turnover 593 (394)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jun	120.60	120.60	121.00 120.75
Sep	112.85	113.10	112.95 112.90
Nov	116.95	117.15	117.15 116.95
Jan	120.70	120.85	120.80 120.70
Mar	124.15	124.30	124.25
Barley	**Close**	**Previous**	**High/Low**
Sep	111.30	111.50	111.30 111.25
Nov	115.45	115.70	115.50 115.40
Mar	121.60	121.75	121.60

Turnover: Wheat 163 (220), Barley 52 (33).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	125.1	124.0	126.0 123.5
Oct	123.5	123.5	123.0

Turnover 208 (84) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)				Total daily turnover 15,588 lots		
Cash	1530-41	1555-7	1539/1536	1539-40		
3 months	1564-5	1579-80	1573/1557	[illegible]	1563-4	43,579 lots
Copper, Grade A (£ per tonne)				Total daily turnover 23,817 lots		
Cash	1460-3	1500-1	1472/1470	1469-71		
3 months	1445-6	1475-6	1452/1444	1461-2	1447-8	71,838 lots
Lead (£ per tonne)				Total daily turnover 1,794 lots		
Cash	485-6	489-90	486	484-5		
3 months	491-2	495-5.5	492/491	491-2	492-3	9,844 lots
Nickel ($ per tonne)				Total daily turnover 2,844 lots		
Cash	8750-800	8475-500	8800/8525	8525-50		
3 months	8775-800	8480-500	8800/8600	8625-50	8750-75	5,890 lots
Tin ($ per tonne)				Total daily turnover 2,422 lots		
Cash	6170-80	6200-10		6190-5		
3 months	6290-300	6321-5	6340/6280	6305-10	6265/6290	[illegible] lots
Zinc, Special High Grade ($ per tonne)				Total daily turnover 5,367 lots		
Cash	1680-5	1700-5	1700/1685	1689-700		
3 months	1612-5	1634-5	1625/1605	1622-5	1608-10	18,867 lots

LME Closing £/$ rate: SPOT: 1.7125 3 months: 1.6940 6 months: 1.6805 9 months: 1.6[illegible]

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	347¼-348¼	202-202½
Opening	346½-347	201¼-201¾
Morning fix	347.05	201.445
Afternoon fix	346.90	201.519
Day's high	348-348½	
Day's low	346-346½	

Coins	$ price	£ equivalent
Mapleleaf	355-360	206-209
Britannia	355-360	206-209
US Eagle	355-360	206-209
Angel	355-360	206-209
Krugerrand	347-350	201½ – 203½
New Sov.	82-84	47½-49
Old Sov.	82-84	47½-49
Noble Plat	478.25-485.85	278.15-282.65

Silver fix	p/fine oz	US cts equiv
Spot	280.15	482.25
3 months	290.70	492.45
6 months	301.20	502.70
12 months	322.00	524.55

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1450	101	122	1	10
1550	21	55	20	41
1650	1	18	99	102
Copper (Grade A)	**Calls**		**Puts**	
2350	164	134	1	34
2450	75	76	10	74
2550	19	38	64	134
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
550	82	85	18	18
600	54	55	38	38
650	17	34	71	67
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
750	71		20	
800	42	86	41	59
850	24	65	73	86
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1500	26		27	
1550	43	42	45	44
1600	25	69	71	60

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	350.5	349.1	352.0	347.5
Jul	350.9	349.6	0	0
Aug	353.1	351.5	355.0	349.5
Oct	357.5	356.2	358.3	353.8
Dec	362.0	360.8	364.0	358.5
Feb	366.5	365.4	366.8	366.6
Apr	370.9	369.8	371.0	371.0
Jun	375.4	374.4	0	0
Aug	379.8	378.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	482.1	476.2	484.5	473.0
Oct	488.0	481.7	490.5	478.8
Jan	493.5	486.9	493.0	493.0
Apr	498.8	492.2	497.0	490.0
Jul	503.8	497.2	490.0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	483.2	481.5	0	0
Jul	484.2	482.7	486.0	476.5
Aug	488.0	486.5	0	0
Sep	492.2	490.8	494.0	484.5
Dec	503.2	501.8	505.0	495.0
Jan	506.5	505.1	505.0	505.0
Mar	513.9	512.5	513.5	507.5
May	521.2	519.8	521.5	517.0
Jul	528.6	527.2	524.0	524.0
Sep	536.5	535.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	110.45	114.60	113.00	110.40
Jul	108.85	113.00	112.10	109.60
Aug	108.85	111.60	110.40	108.90
Sep	107.40	109.80	109.20	107.10
Oct	106.15	108.40	0	0
Nov	104.90	107.00	0	0
Dec	103.65	105.50	105.00	103.60
Jan	102.70	104.60	0	0
Mar	100.35	102.30	101.00	100.50
Apr.	99.65	101.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	16.25	15.95	16.45	15.17
Aug	16.87	16.92	17.00	16.62
Sep	17.59	17.58	17.72	17.35
Oct	18.11	18.06	18.20	17.90
Nov	18.47	18.42	18.54	18.26
Dec	18.77	18.70	18.80	18.55
Jan	18.91	18.87	18.98	18.74
Feb	19.07	19.00	19.10	18.86
Apr	19.19	19.18	19.19	19.15

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	4775	4743	4795	4680
Nov	5240	5215	5240	5170
Dec	5355	5329	5355	5275
Jan	5390	5377	5405	5330

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1231	1214	1242	1197
Sep	1263	1248	1274	1224
Dec	1297	1277	1304	1260
Mar	1326	1303	1332	1282
May	1343	1320	1345	1343
Jul	1362	1340	1330	0
Sep	1380	1357	1350	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	85.85	88.40	87.75	85.50
Sep	89.10	90.86	90.25	88.20
Dec	92.40	93.85	93.40	91.35
Mar	95.25	96.65	96.00	94.50
May	97.05	99.00	98.50	98.50
Jul	98.60	101.00	99.00	99.00
Sep	100.50	102.50	102.75	101.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.74	12.70	12.89	12.68
Oct	12.58	12.64	12.77	12.50
Mar	12.15	12.14	12.20	12.08
May	12.11	12.12	12.24	12.08
Jul	11.99	12.00	11.99	11.99
Oct	11.90	11.89	11.90	11.90

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	80.49	80.92	81.45	80.30
Oct	77.65	76.80	77.85	76.75
Dec	73.65	73.23	73.80	73.05
Mar	74.45	74.01	74.65	73.90
May	74.75	74.40	74.75	74.20
Jul	75.00	74.20	74.55	74.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	174.00	168.70	176.70	166.50
Sep	168.70	172.10	179.90	164.10
Nov	163.50	167.50	176.00	159.50
Jan	162.50	164.70	172.65	158.50
Mar	162.55	164.50	172.50	158.00
May	161.55	163.50	164.00	158.00
Jul	161.55	163.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun 20	Jun 19	mnth ago	yr ago
1844.3	1848.2	1824.6	2020.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun 19	Jun 18	mnth ago	yr ago
Spot	131.11	131.25	135.67	133.86
Futures	131.08	131.31	134.52	132.84

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	596/0	593/2	606/0	587/0
Aug	605/2	585/4	614/4	600/0
Sep	603/2	603/2	619/0	601/6
Nov	617/4	611/6	627/4	615/0
Jan	626/6	621/4	636/0	627/4
Mar	639/0	633/0	648/4	639/4
May	649/4	644/4	658/0	649/0
Jul	656/4	652/0	663/4	656/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	24.02	24.26	24.56	23.97
Aug	23.90	24.05	24.48	23.88
Sep	23.75	23.98	24.35	23.76
Oct	23.55	23.62	24.15	23.50
Dec	23.32	23.36	23.88	23.30
Jan	23.15	23.17	23.68	23.10
Mar	22.95	22.90	23.50	22.95
May	22.80	22.77	23.36	22.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	174.0	172.2	176.1	173.0
Aug	175.5	173.8	177.8	174.7
Sep	177.6	175.4	179.8	176.6
Oct	179.2	177.7	181.3	178.2
Dec	183.1	180.9	185.4	181.7
Jan	183.7	182.2	186.2	183.6
Mar	186.7	185.0	188.0	186.0
May	188.4	186.7	189.5	187.3

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	285/2	289/4	289/6	284/4
Sep	282/2	284/0	286/0	282/0
Dec	279/0	281/2	283/6	278/2
Mar	284/2	286/2	290/6	284/0
May	287/0	289/6	294/4	287/2
Jul	289/0	291/2	296/2	[illegible]
Sep	277/2	276/0	280/0	277/0
Dec	267/0	267/2	270/0	[illegible]

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Previous	High/Low	
Jul	334/4	332/2	338/4	333/2
Sep	338/2	336/6	341/4	337/0
Dec	350/6	349/4	354/4	350/2
Mar	357/0	357/0	361/4	357/0
May	350/0	349/2	354/6	350/0
Jul	345/0	343/0	346/0	345/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	76.65	77.12	77.35	76.40
Aug	74.65	74.75	74.92	73.97
Oct	75.60	75.95	76.20	75.40
Dec	75.47	75.75	75.97	75.40
Feb	75.10	75.50	75.47	75.05
Apr	76.12	76.30	76.40	76.05
Jun	73.12	73.40	73.50	73.12

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	60.50	60.47	60.90	59.75
Jul	59.32	59.05	59.70	58.50
Aug	57.60	57.27	58.00	56.80
Oct	51.50	51.52	52.20	51.10
Dec	50.35	50.87	51.35	50.35
Feb	49.00	49.00	49.30	48.37
Apr	46.40	46.55	46.80	46.32
Jun	49.55	49.85	50.10	49.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	63.40	63.10	65.02	62.72
Aug	61.67	60.97	62.70	60.60
Feb	58.36	59.25	60.10	57.35
Mar	57.95	58.75	58.50	57.00
May	58.60	59.90	60.95	57.98

LONDON STOCK EXCHANGE

Heavy activity in some leading shares

EARLY OPTIMISM in the UK stock market, fuelled by further gains in sterling and in Government bonds, faded later yesterday as attention switched to a batch of less favourable corporate developments. Across the full range of the market turnover was still restained, but overall volume was boosted by heavy activity in a handful of stocks in the FT-SE 100 list.

The session started brightly, with both Tokyo and New York relatively firm overnight and the pound and the UK gilt-edged market in good form. Confidence was checked for a time after morning strategy meetings at several leading securities firms produced bearish views on a host of major stocks. The list of effective downgradings ranged from STC, as the board confirmed market concern over current profits levels, Midland Bank, Lloyds Bank and Wellcome, the pharmaceuticals group.

Account Dealing Dates		
*First Dealings:		
Jun 11	Jun 25	Jul 9
Option Declarations:		
Jun 21	Jul 5	Jul 19
Last Dealings:		
Jun 22	Jul 6	Jul 20
Account Day:		
Jul 2	Jul 16	Jul 30

*New-time dealings may take place from 8.30 am two business days earlier.

Defence stocks continued to give ground, with British Aerospace facing adverse comment from brokerage analysts in the wake of the UK Government's cancellation of orders for the Tornado fighter aircraft.

There was little selling pressure, however, and further gains in the gilt-edged sector took equities ahead for a while. But the market peaked early at 2,384.5, up 14.8 on its previous close, at which level share prices began to slip away. By the end of the session, the market was barely hanging on to plus territory. The final reading put the FT-SE Index at 2,371.2, a net gain on the day of 1.5 points. Seaq volume increased to 436.8m shares from the 408.3m of the previous session.

Market indices were hit by a sharp setback in ICI as the chemical group's US unit faced a pollution suit from the Federal Commerce Department. There was heavy trade (51m shares) in Globe Investment Trust as the British Coal Board Pension Funds met expectations by raising the bid terms towards the market's share price for Globe.

Equity strategists commented that it was a day for "micro rather than macro economics". Equities appeared little affected by the UK money supply and bank lending figures for May, which were in line with expectations. The market is now bracing itself for tomorrow's announcement of the UK trade figures for May.

The FT-SE Index Steering Committee decided yesterday on the deletion of Cookson Group from the Footsie Index, and its replacement by Harrisons & Crosfield. The change will apply from the first trading day of July.

The Reserve List for use in the next quarter, which may be re-ordered by the Committee to meet any changed circumstances, consists of: Inchcape, Laporte, Severn Trent Water, Siebe, Tate & Lyle and Wiggins Teape.

Further setback to GEC

THERE WAS no let-up in the pressure on GEC, which continued to react to the big cuts in UK defence spending. At the close, GEC were 11 down at 197p - a two-day fall of 20.

One sector analyst said the group was exposed not only to the defence cuts but also to the reduction in spending by British Telecom, which is hitting the GEC subsidiary GPT. It was also partly responsible for the profits warning by STC. "These are two fast declining markets and there is also growing nervousness about GEC's forthcoming preliminary figures expected on July 3," he said.

Turnover in GEC was second only to that in Globe Investment Trust, and eventually totalled 27m shares. Much of the turnover followed on from a placing of 4.7m GEC shares, said to have been done well below the ruling market price and which undermined sentiment. Attempts to pass the stock on were said to have been unsuccessful.

STC warning

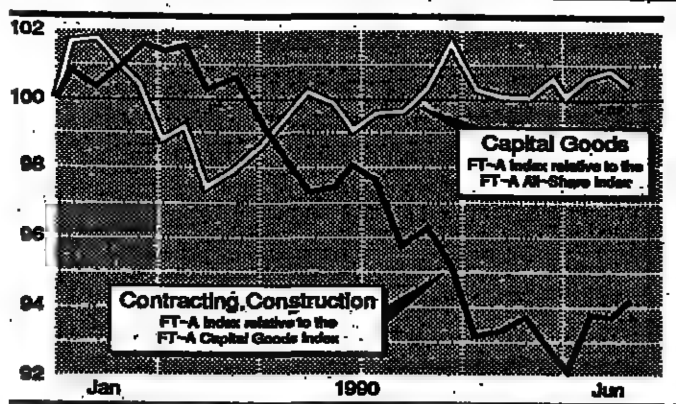
Recent market concern over a possible profits warning and subsequent earnings downgradings in STC, the electronics group, proved only too accurate as the chairman, Mr Arthur Walsh, issued a statement saying external expectations of profits for the first half of the year "are too optimistic."

STC shares, under substantial pressure on Tuesday, dropped to a low of 288p immediately following the statement, which triggered some hefty profits downgrades, but later steadied to close a net 19 off at 239p. Turnover in STC expanded rapidly to reach 10m, some five times the usual level of business in the shares.

Analysts had been forecasting interim pre-tax profits for the half-year to end-June of around £100m to £115m. These figures were quickly reduced yesterday. Kleinwort Benson now expects the group to achieve pre-tax profits of £76m for the half-year and have pencilled in £240m for the full year, excluding property sales.

Adam Quinton at UBS Phillips & Drew, who told clients to expect a profits warning as long ago as April, reduced his interim figure from £100m to £80m and that for the full year to £250m. James Capel expects £80m at the half-way stage, with £245m for the full year and £250m for the following year. BZW reduced its forecast for this year to £240m and for next year to £250m.

UBS's Mr Quinton maintained that "given the combination of a price-earnings ratio of 8.7 and a prospective yield of 6.5 per cent, and the possibility of deals concerning Northern Telecom (which has a 27 per cent stake in STC) and ICL, where a number of joint ventures are thought to be on the cards, we think the shares still look attractive."



Contracting and construction, battered for the first half of the year, continued to recover, especially against the FT-A Capital goods index. Dealers said there was no evidence that the sector had bottomed, but County NatWest told clients to "buy the low-risk, trouble free, lowly borrowed companies now and pile into the sector in the third quarter at one of its relative lows."

ICI suffers

ICI suffered one of the sharpest setbacks among FT-SE 100 shares on news that the company and two of its associated companies were among eight defendants in a US lawsuit alleging dumping of toxic chemicals, including DDT and PCBs. The suit has been brought by the US Commerce department.

Traders said that at least one Wall Street securities house had downgraded the company and that other reductions in forecasts from London brokers were on the cards.

Mr Oliver Fear at BZW said that the law suit alone was not significant enough to account for the entire fall yesterday of 30 to 1182p. The company had enjoyed a long run and investors were taking profits. ICI turned over an above average 2m shares.

Davy disappoints

Davy Corporation realised the market's worst fears yesterday when disclosing annual profits well below analysts' forecasts. The figure of £30.1m, although higher than the previous year's £28.8m, went against expectations of £33m to £36.5m.

Reports that the group's results would disappoint, together with speculation of possible fund raising, had brought pressure on the shares over the past few sessions. The movement gathered momentum yesterday, lowering Davy to 228p before a close of 234p, down 14 on the day.

Speculation about the possibility of more swingeing cuts in UK defence spending brought further disarray and heavy trading in defence-related stocks.

Increased liquidation of British Aerospace was evident over announced cutbacks in the Tornado aircraft programme, and there were also fears that BAe may be ordered to repay about £44m of "sweeteners" and other aids granted by the British Government over the sale of Rover, the vehicle manufacturer. The shares dropped 28 more to 520p.

Rolls-Royce recorded high volume for the second day running, but business was more evenly balanced. This meant the shares lost only 2 to 215p after turnover of 15m.

Also in the firing line again were Smiths Industries, 8 down at 243p, and VSEL Consortium, which shed 5 more to 378p. Lucas was more heavily affected – a leading securities house remained negative on automobile industry prospects – and lost 8 to 158p.

The only winner on the day was Westland. Views that the Ministry of Defence might make greater use of helicopters pushed Westland, which leads the EH-101 helicopter project, higher to 115p, up 2.

Globe, the world's biggest investment trust, eased from a marginally higher morning level of 206p after the British Coal Pensions Funds (BCPF) raised the terms of their offer from 193p to 205p cash per share. There had been hopes of even better terms from BCPF.

Brokers to BCPF purchased large quantities of Globe shares, pushing turnover in the stock to a heady 51m. At the close, Globe was a penny easier on the day at 204p.

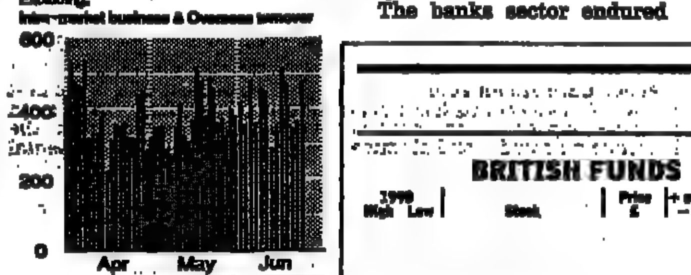
Confirmation of the bid for Reedpack, a two-year-old management buyout from Reed International, by Svenska Cellulosa, the Swedish pulp, paper and packaging group, helped quoted paper companies.

Wiggins Teape Appleton, demerged last month from BAT Industries, built on Tuesday's rise which in turn was based on press speculation of the Reedpack deal. The shares firmed 2 to 213p, making a two-day improvement of 7.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Some analysts thought the rise was unwarranted. Ms Angela Bawtree at S.G. Warburg said Cellulosa had been mooted by some as a possible bidder for Wiggins, and that any predatory moves were now unlikely from the company.

The clearest beneficiary of the deal was Reed. It had reinvested £64m in Reedpack preference shares after the MBO, and had an option on 10 per cent of the company, said Ms Bawtree. That investment was now valued at £94m and would be worth an extra £10m in a full year on Reed's pre-tax profits. Reed peaked at 460p and closed at 458p, up 5 on the day.

Wellcome fell sharply as an annual conference on Aids opened in San Francisco. Delegates heard renewed reports that resistance to Wellcome's Aids treatment Retrovir might become a problem. There were also the anticipated reports of promising alternatives to the drug. S.G. Warburg trimmed its profits forecast for the company and James Capel reiterated its cautious stance at the morning meeting.

BTR suffered from a profits downgrading by Mr Jack Jones at UBS Phillips & Drew. He cut 5 per cent from his forecast for the current year to £1.18bn and said investors should take profits ahead of interims in September. He was concerned both on currency and trading considerations.

Oil issues staged a minor rally after the bout of weakness induced by the steady slide in crude oil prices. August Brent dropped 20 cents more to $15.50 a barrel yesterday. Shell, which moved against the market trend on Tuesday, continued to gain ground yesterday, closing a further 3 higher at 464p, although turnover contracted to 2m shares.

In an otherwise quiet transport sector, BAA rose to a new high of 435p up 14. This was one of the stock's sharpest daily rises since privatisation in July 1987 and turnover was a steady 2.7m. The shares continued to be helped by Monday's good figures but received an additional boost from renewed speculation that ADT, the conglomerate, might try to bid for the company. ADT has 9 per cent of BAA but is, in principle, prevented by a Government "golden share" from increasing the holding beyond 15 per cent.

The banks sector endured yet more profits downgradings, with the most severe said to have been carried out by Morgan Stanley, the US investment bank. But share prices were boosted by marketmakers closing short positions. Barclays were heavily supported and closed 12 higher at 402p on 3.1m.

Hambros' figures were well received with the shares 3 higher at 286p. Other merchant banks retreated, however, Kleinwort Benson dipping 10 to 378p.

The electronics area of the market was the scene of some of the day's keenest activity, with Racal Electronics, where 8.7m shares changed hands, hard on the heels of GEC and STC in terms of turnover. A big cross of Racal shares – a line of 3.6m was followed by numerous smaller trades – saw the stock retreat from an earlier 210p to close a net penny easier at 206p.

Sketchley staged a recovery of 12 to 183p after two days of sharp falls in the wake of Monday's rights issue and publication of losses.

Full year profits from Unigate were 5 per cent higher at £105.5m and the shares firmed 7 to 312p. Turnover was an above average 2.1m shares.

Speyhawk remained the focal point in the property sector but the shares found the going heavier than the previous two days. They ended 7 up at 240p, with the market still on the alert over a bid from Nordsjernam of Sweden.

The absence of bid developments triggered fresh selling of Priest Marians, which pulled the shares down 27 further to 168p. Rosehaugh gave up 7 at 199p.

Second liner Park Food, whose main business is the packing and supplying of hampers, rose for the second session running and ended 10 higher at 220p. Traders said that bargain hunters in otherwise thin trade had set the rise in motion.

Continuous Stationery, up 6 at 66p, continued to respond to the good preliminary statement – profits were more than doubled.

■ Other Market statistics, including the FT-Actuaries share index, Page 22

FINANCIAL TIMES STOCK INDICES

	June 20	June 19	June 18	June 15	June 14	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.85	79.25	79.47	79.78	79.85	84.68	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.30	88.38	88.48	88.28	88.20	95.89	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1903.4	1907.4	1911.9	1925.9	1928.6	1800.9	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	169.6	172.3	170.7	167.9	168.2	184.7	378.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2371.2	2369.7	2370.5	2392.3	2403.0	2172.2	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.85	4.84	4.83	4.80	4.78	4.43				
Earning Yld %(full)	10.69	10.68	10.66	10.58	10.55	10.44				
P/E Ratio(Net)(☆)	11.32	11.35	11.37	11.45	11.48	11.54				
SEAQ Bargns 4.45pm	23,688	24,941	24,314	28,233	33,829	18,510				
Equity Turnover(£m)†	-	1228.07	677.52	790.44	1272.36	1047.85				
Equity Bargains†	-	27,030	22,983	27,095	33,480	23,481				
Shares Traded (ml)†	-	488.0	374.1	351.5	470.1	311.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.20

Ordinary Share Index, Hourly changes — Day's High 1917.7 — Day's Low 1903.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1910.0	1905.3	1915.9	1911.5	1910.1	1910.5	1910.4	1911.1	1903.2

FT-SE, Hourly changes — Day's High 2384.5 — Day's Low 2369.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2375.0	2370.1	2383.4	2379.6	2378.6	2380.0	2379.6	2380.4	2370.5

GILT EDGED ACTIVITY

Indices*	June 19	June 18
Gilt Edged Bargains	167.5	141.2
5-Day average	135.4	120.1

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	1,000	189	−2
ASDA Group	[illegible]	115	−1
Abbey National	1,100	203	+1
Allied-Lyons	617	503	+5
Amstrad	767	69	+2
Anglian Water	572	183½	−1½
Argos	836	230	+1½
Argyll Group	1,900	237	−5½
Ass. Brit. Foods	59	409	+2
BAA	2,700	435	+14
BAT Inds.	1,000	546	
BET	[illegible]	[illegible]	+3
BICC	377	462	+8
BOC	1,200	599	−5
BPB Inds.	147	226	−2
BTR	[illegible]	[illegible]	−6
Barclays	3,100	402	+12
Bass	264	1096	+7
Beazer	1,600	162	−4
Berisford Int.	316	119	
Blue Circle	822	250	−4
Boots	1,400	300	+8
Brit. Aerospace	[illegible]	[illegible]	−[illegible]
British Airways	937	214	−2
British Gas	3,800	221	+2
British Land	2	320	+5
BP	4,800	325	
British Steel	2,200	149	+½
British Telecom	4,000	294½	+3½
Bunzl	58	98	−1
Burmah Oil	519	644	+5
Burton	5,200	160	−5
Cable & Wire.	1,400	543	+7
Cadburys	667	347	−5
Calor Group	45	269	+1
Carlton Comms.	426	537	−3
Coats Viyella	535	127	+1
Comm. Union	828	523	+7
Cookson	421	212	−6
Courtaulds	908	381	+5
Dalgety	611	379	−3
Dixons	1,600	147	+5
ECC Group	1,200	387	
Enterprise Oil	315	653	+6
FKI	349	74	
Ferranti	200	37	
Fisons	1,700	364	
Gen. Accident	214	1113	+5
General Elect.	27,000	197	−11
Glaxo	1,500	818	−2
Globe Inv.	51,000	204	−1
Glynwed Int.	332	278	+5
Granada	1,200	244	−3
Grand Met.	1,400	685	+5
GUS A	221	1078	+5
GRE	824	244	+4
GKN	531	407	+4
Guinness	541	795	+8
[illegible]	45	713	+2
Hanson	5,500	242½	−1
Hanson Warrants	1,200	61½	+2
Harrisons Crosfield	665	174	+8
Hawker Sidd.	605	674	−7
Hillsdown	517	278	+2
IMI	14	251	+1
ICI	2,000	1182	−30
Inchcape	72	289	+2
Kingfisher	815	353	+5
Ladbroke	1,300	331	+9
Land Securities	395	502	−1
Laporte	244	595	−5
Legal & General	1,000	411	+4
Lloyds Abbey	978	324	+4
Lloyds Bank	2,200	290	+2
LASMO	1,200	405	+6
Lonrho	402	282	
Lucas	2,600	158	−8
MB Group	1,500	221	+4
MEPC	17	505	+1
Manpower	52	88	
Marks & Spencer	2,200	235	+6
Maxwell Comms.	2,300	205	+2
Mecca Leisure	102	87	
Midland Bank	2,900	392	+2
NatWest Bank	3,200	335	+3
Next	1,300	59	
North West Water	1,000	180	−2
Northern Foods	475	315	
Northumbrian Water	85	173	−3
Pearson	354	772	+8
P & O	282	642	+5
Pilkington	1,100	211	−1
Polly Peck Intl.	1,800	438	−3
Prudential	3,400	231	+5
RHM	126	350	+1
RMC	260	671	−4
RTZ	486	583	+3
Racal	8,700	205	−1
Racal Telecom	186	354	+3
Rank Org.	149	847	−1
Reckitt & Colman	35	1308	+2
Redland	514	607	−1
Reed Intl.	1,300	458	+5
Reuters	1,000	1264	−8
Rolls Royce	15,000	215	−2
Rothmans	127	738	−1
Ryl Bk Scotland	737	176	
Royal Insurance	2,100	513	+10
STC	10,000	239	−19
Saatchi	37	92	
Sainsbury	224	290	+1
Scottish & New.	1,100	328	−1
Sears	2,700	100	+1
Sedgwick	765	381	+6
Severn Trent Water	2,700	141	−1
Shell Transport	2,000	464	+3
Siebe	1,000	523	+7
Slough Ests	36	286	+1
Smith (W.H.) A	417	359	+3
Smith & Nephew	1,600	115	−2½
SmKl Beecham	227	546	+1
SmKl Beecham Units	0	3450	−2
Smiths Inds.	1,300	243	−8
South West Water	332	164	+1
Southern Water	404	140	
Standard Chartd.	186	489	
Storehouse	83	130	+1
Sun Alliance	913	335	+3
Sun Life	19	1280	+17
T&N	131	186	+1
TI Group	23	504	
TSB	3,200	139	−½
Tarmac	1,400	282	+2
Tate & Lyle	758	307	+1
Taylor Woodrow	234	284	+3
Tesco	2,100	219	
Thames Water	2,400	154	+1
THORN EMI	446	769	+2
Trafalgar House	567	329	+4
Trusthouse Forte	2,100	301	
Ultramar	693	387	−1
Unigate	2,100	312	+7
Unilever	402	690	+4
United Biscuits	640	357	+3
Utd. Newspapers	365	342	+3
Water Package Uts.	8	£1540	−8
Wellcome	3,000	633	−34
Welsh Water	419	188	−1
Wessex Water	115	185	
Whitbread 'A'	964	441	+8
Williams Hdgs.	521	383	+3
Willis Faber	65	283	
Wimpey	349	237	−1
Yorkshire Water	746	165	+1

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (63).
BRITISH FUNDS (5) BUILDINGS (6) CHEMICALS (3) STORES (4) ELECTRICALS (6) ENGINEERING (3) FOODS (2) INDUSTRIALS (16) British Steel, Courtaulds, Darby, Elge, Harrisons & Crosfield, J.S. Pathology, Robertson, Rockware, Sanders & Sidney, Shanks & McEwan, Siebe, Tomkins, Do. 5¼pc Cm. Pf., Do. 5.5pc Cv. Pf., Tove, Vinten, INSURANCE (1) NEWSPAPERS (1) PAPERS (1) SHOES (1) TRANSPORT (2) TRUSTS (10) THIRD MARKET (1).

NEW LOWS (65).
AMERICANS (4) CANADIANS (3) BANKS (2) BUILDINGS (3) CHEMICALS (1) STORES (1) ELECTRICALS (3) ENGINEERING (3) FOODS (1) INDUSTRIALS (8) ADG, British Bloodstock, Creste, Fitzwilton, Russell (A.), Tams (John), Wellcome, Whitegate Leisure, LEISURE (1) MOTORS (3) PAPERS (2) PROPERTY (4) SHOES (1) TRANSPORT (1) TRUSTS (4) OILS (2) MINES (12) THIRD MARKET (3).

APPOINTMENTS

Hawker Siddeley changes

HAWKER SIDDELY GROUP has appointed Mr Paul Jones to the group executive as director - human resources. He was with The Burton Group as sector personnel director - menswear. Mr Thomas Delday has been promoted from works manager to director and general manager of Crompton Stud Welding. Mr Donald Moss, company secretary, becomes a director of Uniross Batteries. Mr Ian Murdoch has been appointed operations director of Tungstone Batteries. He joins from Plaxton Coach and Bus where he was general plant manager. Mr Mark Ryder becomes finance director of Oldham Crompton Batteries. He joined the group in 1985.

■ Mr William J. Tierney has been appointed managing director, manufacturing and marketing, of TEXACO, London, from July 1. He is general manager of Texaco Petroleum Maatschappij (Nederland) in Rotterdam.

■ Mr Paul Ellis has been appointed managing director of CASPEN OIL. He was a director, and takes over from Mr Delo Caspary who continues as chairman.

■ Mr Mike Hart has been appointed group managing director of ACT GROUP. Mr Brian Whitty becomes group finance director.

■ RANK XEROX (UK), Marlow, has appointed Mr Vernon Zelmer as general manager from July 1. He was vice president, Xerox Corporation's marketing group's central region, Chicago.

■ FENNER, Hull, has appointed Mr Dudley Mallett as divisional general manager of Fenner Fluid Power. He was general manager, Fluid Power, Romford, for which he will continue to be responsible.

PORTMAN SQUARE HOLDINGS, Croydon, has appointed Mr Philip A. Bunt (pictured) as finance director. He joined the company last August from Hacker Young.

■ Mr Duncan Forbes has become managing director of WILLMOTT DIXON MIDLANDS, Coleshill. He was surveying director with Willmott Dixon Housing.

■ Mr Jeremy Dixon has been appointed managing director of AIR UK (LEISURE), Stansted. He has been a director and general manager since the airline was formed in summer 1987 as a sister of scheduled carrier Air UK. New to the Air UK Leisure board is Mr John Jones, managing director of Viking International Air Chartering, selling arm for the airline whose parent company, Viking International, is a 40 percent shareholder.

■ Mr Ian Wilson Hannah, former chief civil engineer of the Central Electricity Generating Board, has joined KIER CONSTRUCTION as a non-executive director.

■ Mr Gilbert Hogg, company secretary, is to be appointed to the new post of director of regulatory operations at BRITISH GAS. He remains company secretary until September 1.

■ MASONS has appointed Mr Mic Reeves as its first full-time director of education and training. He was previously head of the law department at a London Polytechnic.

■ Mr Nigel Beevor has been appointed financial director of ISIS GROUP.

SECURITY PACIFIC HOARE GOVETT GROUP has appointed Mr David Plucinsky (pictured) as chief executive officer at Hoare Govett Securities. Mr Simon Clegg, joint head of equity sales, moves to head of investment research. At Hoare Govett Corporate Finance, Ms Faye Wilson becomes managing director of the newly-formed advisory groups in mergers and acquistions, and acquisitions finance. Mr Mark Cusack, formerly head of investment research, is made a director responsible for internal liaison.

■ Mr John Quinn has been appointed production director of ROYAL STAFFORD CHINA and Royal Stafford Hotelware.

■ Mr Brian F. Clifton has been promoted to managing director of THE BUILDERS' ACCIDENT INSURANCE.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	216xd	.....	44c	1.4	9.2	7.7
210	172	Abbey National 10p	203	+1	5.7	4.3	3.7	8.2
*274	210	Allied Irish Ord	229	.....	Q40%	♦	4.1	♦
£13¼	£11¼	Algemene Fl.10	£11¾	+⅛	Q28%	2.1	7.8	6.0
85	68	Anglo Irish	68	.....	†Q18.7%	2.7	6.5	9.3
83	68	Ansbacher (H.) 1p	81	+1	2.5	1.3	4.1	23.3
£71½	£54½	Bancaire Cie Fr100	£59⅝	–½	†Q12½%	–	2.3	–
£22¼	£16½	Banco Bilbao Viz	£17¼	.....	Q49.1%	2.7	4.9	11.1
£31	£24¼	Banco de Santander	£26¼	.....	Q25%	2.4	4.3	9.8
286	224	Bank Ireland IrE1	253	.....	Q14.7%	2.9	5.5	8.4
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	104	Bank Scotland	118	+1	4.55	3.3	5.1	7.8
100¼	83¼	Do. 9¼pc Irrd Pf.	95½	+½	9¼%	–	12.9	–
54	39	Bank of Wales	46	.....	2.8	0.8	8.1	(22.1)
428	352	Barclays £1	402xd	+12	h19.57	3.5	6.5	5.6
22	12	Benchmark 20p	13	.....	1.63	1.0	16.7	7.5
335	310	Brown Shipley £1	312xd	.....	12.0	♦	5.1	♦
*435	341	Cater Allen £1	414xd	–1	N24.5	♦	7.9	♦
179	124	Chancery	125	–4	9.0	♦	10.1	♦
£23¼	£18¼	Commerzbk DM10	£19¼	+¼	Q18%	–	3.5	–
£13¼	842	Dai Ichi KBk Y50	873	.....	Q17%	♦	0.4	♦
*£315½	£261	Deutsche Bk DM50	£271½	–2¼	Q28%	–	1.8	–
£20¾	£19	Espirito Santo	£19	.....	Q75c	♦	2.4	♦
253	183	First Nat. Fin. 10p	225	.....	13.0	2.4	7.7	6.9
[illegible]	96	FNFC 6.3pc Cv Pf.	113	+3	6.3%	–	7.4	–
£13¼	995	Fuji Bank Y50	£10	.....	Q17%	♦	0.3	♦
325	262	Gerrard & National	314	.....	19.0	♦	8.1	♦
154	128	Guinness Mahon 10p	128	.....	2.1	–	2.2	–
328	223	Hambros 20p	286	+3	11.5	–	5.5	–
128	93	Do. 7.5pc Cv Pf.	114	+1	7½%	–	8.8	–
53½	42½	HK & Shang. HK$2.50	42½	–½	bQ38c	–	6.3	–
478	458	Joseph (Leo) £1	458	.....	15.85	–	[illegible]	–
150	126	King & Shaxson 20p	145	–1	10.25	♦	[illegible]	♦
422	340	Kleinwort Benson Grp.	378	–10	16.0	2.5	5.6	9.6
642	402	Kyowa Bank Y50	453	–1	Q14%	♦	0.6	♦
312	242	Lloyds £1	299	+2	13.3	2.6	6.1	6.8
56	44	Lon. Scot. Bank 10p	47	.....	12.4	1.9	6.9	9.1
404	271	Midland £1	302	+2	18.0	2.6	7.9	6.3
£14½	£10⅜	Mitsubishi Bank Y50	£10⅜	.....	Q17%	♦	0.3	♦
£12¼	£6¾	Mitsubishi Tst & Bk Y50	£6¾	–⅜	Q17%	♦	0.5	♦
[illegible]	[illegible]	Mitsui Bank Y50	£8¾	–⅛	†Q16%	6.0	0.4	44.0
904	559	Mitsui Tst & Bk Y50	577	–8	Q17%	♦	0.6	♦
326	279	Nat Aust. Bk. A$1	286	+3	sQ50c	1.6	7.9	7.9
368	299	NatWest £1	335	+3	16.7	3.3	6.6	6.1
£210	£185	Ottoman Bank	£185	.....	Q110%	2.8	5.9	6.0
55	39	Rea Bros. Group	45	–1	0.5	3.4	1.5	21.6
200	152	Rothschild (J) Hldgs.	154	–1	10.0	♦	8.9	♦
227	149	Royal Bk. Scotland	176	.....	†7.2	3.8	5.5	6.2
795	424	Saitama Bank Y50	513	+21	Q14%	♦	0.5	♦
£12¼	806	Sanwa Bank Y50	841	–15	Q17%	♦	0.4	♦
902½	712½	Schroders £1	808	.....	h12.5	5.9	2.1	10.9
712½	537½	Do. £1 N/V	603	.....	h12.5	5.9	2.8	8.1
£25¼	£20⅛	Sec. Pacific $10	£22¼	–⅛	Q$1.96	–	5.3	–
616	454	Standard Chartd. £1	490	.....	35.0	1.4	9.5	(9.2)
£16¼	£8⅞	Sumitomo Bank Y50	£9⅛	+⅛	†tQ16%	7.5	0.3	41.6
£11	£6⅝	Sumitomo Tst & Bk Y50	£6⅞	–⅛	Q17%	♦	0.5	♦
147	121	TSB	139	–½	5.8	2.8	5.4	9.0
175	126	TSB Bank Ch'nel Is'l	160xd	+4	†Q6.7	3.5	[illegible]	[illegible]
£11¼	£5⅞	Tokai Bank Y50	£6⅛	–⅛	Q16%	4.1	0.5	50.4
[illegible]	605	Toyo Tst & Bk Y50	688	–9	†Q15.2%	6.9	0.4	33.1
611	532	Union Discount £1	608	+5	33.0	–	7.3	–
525	398	Warburg (S.G.)	429xd	–3	15.0	3.8	4.7	7.5
180	133	Do. 6pc Cnv Prf.	142	–2	6%	–	5.4	–
279	204	Westpac SA1	204	–1	Q52.5c	1.5	12.1	5.4
420	373	Wintrust 20p	383	.....	17.8	–	2.7	–
969	574	Yasuda Tst & Bk. Y50	723	–16	Q17%	♦	0.5	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
395	173	Anglo Grp. 10p	173	.....	†5.0	4.1	3.9	6.7
£128¼	£74½	Do. 9½pc 1999	£74½	–5	Q9½%	–	12.8	–
175	100	CLF Yeoman 50p	103	.....	Q18.5%	♦	5.5	♦
71	60	Cambridge Grp Ir5p.	69	.....	Q7½%	♦	0.5	♦
55	32½	Capital Leasing Ir 10p	35	–1	†tQ32%	3.5	3.2	8.2
68	50	Cattle's (Hdgs) 10p	62	.....	3.58	1.9	7.7	8.9
426	367	Prov. Financial	424	.....	20.5	2.0	6.4	10.2
235	200	Reflex Invs. Ir5p	200	.....	Q51.0%	♦	1.2	♦
225	199	Secure Trust Grp. 1p	210	.....	8.5	2.4	5.4	10.4
210	178	Woodchester IR20p	190	–4	Q16.7%	5.9	1.7	13.4

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
520	408	Allied-Lyons	503	+3	16.95	2.2	4.5	11.6
£26¼	£20¼	Anheuser-Busch $1	£24¾	+⅛	72c	–	1.5	–
1122	895	Bass	1098	+7	†28.2	3.5	3.4	10.9
170	131	Boddington	158	.....	5.1	♦	4.3	♦
199	161	Bulmer (H.P.) 5p	169	.....	†6.95	1.4	5.5	16.6
227	185	Burtonwood Brewery	185	–1	3.55	2.5	2.6	20.7
400	290	Clark (Matthew)	317	.....	†13.0	2.8	5.5	8.9
286	163	Devenish (J.A.) 5p	170	+1	†4.65	3.1	3.7	10.4
225	120	Do. 4.5pc Cv 2ndPf.	130	.....	4½%	–	4.6	–
167	123	Eldridge Pope "A" 50p	148	.....	4.1	2.3	3.7	13.9
400	335	Fuller, S.T.A.	350	.....	†4.45	4.4	1.7	16.6
681	533	Grand Metrop. 50p	665	+6	†17.75	2.8	3.6	11.4
361	295	Greenall Whitley	356	.....	†8.7	2.9	3.3	13.2
[illegible]	139	Do. 5.95pc Cv Pf £1	170	.....	5.95%	–	4.7	–
420	314	Greene King	380	.....	†8.7	3.6	3.1	11.6
806	633	Guinness	795	+6	15.3	3.0	2.6	15.5
221	172	Do. 5¾pc Cnv Prf.	217xd	+2	5.75%	–	3.5	–
£267½	£218½	Do. 8¾pc Cv Ln.	£262½xd	+2	Q8¾%	–	3.1	–
253	202	Highland Dists. 20p	228	.....	†3.85	2.7	2.3	21.9
146	132	Invergordon Distillers 10p	144	.....	§5.0	2.3	4.6	12.7
825	593	Macallan-Glenlivet	593	.....	1.06	6.9	0.2	–
2020	1900	Macdonald Martin 'A'	2020xd	.....	32.0	♦	2.1	♦
480	375	Mansfield Brewery	402	.....	11.3	♦	3.8	♦
[illegible]	[illegible]	Marston Thompson	186	.....	4.02	♦	2.9	♦
428	395	Merrydown Wine	428	+2	†t5.78	3.5	1.8	20.9
405	335	Morland	343xd	+3	†t5.13	4.1	2.0	14.7
361	278	Scott & New 20p	326	–1	†10.83	2.3	4.4	12.8
£57¾	£42⅞	Seagram	£48⅞	–½	US$1.40	–	1.7	–
329	200	Vaux Group 10p	240	.....	†7.84	2.2	4.4	13.3
462	360	Whitbread 'A'	441xd	+3	14.8	c2.4	4.5	11.6
79	61	Wiltshire Brewery 5p	69	+1	1.5	–	2.9	–
430	339	Wolv. & Dudley	419	+2	N9.0	3.8	2.9	13.3
495	460	Young Brew 'A' 50p	465	.....	11.5	2.0	3.3	20.1
415	370	Do. Non. V. 50p	378	.....	11.5	2.0	4.1	16.2

BUILDING, TIMBER, ROADS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
504	385	AMEC 50p	483	+2	19.0	3.8	6.0	5.8
125	99	Do. 6½p Cm Cv Pf.	109	.....	6½%	–	8.4	–
130	70	Abbey	98	.....	26.8%	4.1	8.6	3.7
363	198	Albrighton	225	.....	7.0	1.7	4.2	12.1
116	82	Allen 5p	98	.....	†4.2	2.8	5.7	7.6
159	119	Amco Corp.	119	.....	–	–	–	–
132	64	Anglia Sec 10p	64	.....	§2.0	0.2	–	–
155	138	Arncliffe 10p	140	.....	6.75	3.9	6.4	3.5
285	213	Ashtead Group 10p	237	.....	†2.5	8.5	1.4	10.2
525	405	Attwoods 5p	501	+16	†68.0	2.3	2.2	22.7
128	121	BMSS 10p	121	.....	4.38	3.5	4.8	7.4
263	205	BPB Inds. 50p	226	–2	†10.75	2.4	6.3	8.0
144	91	Baggeridge Brick	109	+2	3.13	4.2	3.8	8.2
71	40	Bailey (Ben) 10p	56	+2	§1.9	6.8	5.1	3.9
127	97	Baldwin 10p	102	.....	2.95	4.0	3.3	9.9
180	135	Ball (A.H.) 5p	138	.....	6.75	♦	6.9	♦
31	23	Banner Homes 10p	23	–3	§2.5	3.9	–	2.1
218	165	Barratt Dev. 10p	175	.....	13.39	2.0	10.2	6.4
178	130	Beazer 10p	163	–4	†7.5	4.2	6.2	5.0
209	164	Bellway	208	.....	11.0	4.0	7.1	4.7
41	15	Bellwinch 10p	15	–1	§3.75	1.8	♦	♦
204	142	Berkeley Group	182	–3	4.5	3.9	3.3	10.3
147	123	Bett Bros. 20p	128	.....	†5.8	3.2	6.2	6.7
153	128	Birse Group 10p	152	.....	14.25	2.3	3.7	11.1

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

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PROPERTY

PROPERTY – Contd

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SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

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OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
29	17	Peninsular Grp. 2p	[illegible]					
81	61	Paddington 5p	75	–1				
118	65	Ramsden's (Harry)	[illegible]		L4.5		7.1	
60	32	Rentokil... 5p	32		(a)1.85	2.8		6.3
14	11	Scott Pickford 10p	12		0.38	3.8	4.2	8.2
38	11	Sempernova	11					
36	24	Sleepy Kids 5p	31	–1				
2½	1½	Swanyard Studios 1p	1½					8.4
3½	1¼	Systems Connections	3½					
94	58	Tomorrows Leisure 20p	60					22.8
55	35	UPL Group 10p	39		‡2.75	1.9		7.9
181	128	Unit Group	181		5.0	3.3	3.7	10.3
89	58	[illegible] 1p	58		W2.0	0.7	4.6	46.5
6½	3¼	Vista Ents 5p	5½					
18	13	Vizcaya Hldgs 5p	13					
		For Whitegate Leisure see INDUSTRIALS						
5½	3¼	Wilton Group 1p	4	–¼				

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	830	......
Finlay Pkg. 5p	55	+2
Holt (Jos) 25p	1380	......

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£98½	+⅛
9pc Cap Ln. 1996	£94⅝	+¼
Fin. 13% 97/02	£112⅝	+⅛
Arnotts	190	–15
Carrol (P.J.)	140	......
Hall (R. & H.)	165	......
Heiton Hldgs.	74	......
IRG	205	......
United Drug	160xd	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp.	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit. Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	95
GEC	18
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	17
Legal & Gen	24
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	38
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RMC	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	87

Property

Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Aviva Petlm	8
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines

Lonrho	21
RTZ	50

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Touche Remnant Unit Tst Mngt Ltd -Contd.						
TR Income Growth	5¼	90.18	90.18	95.93	-0.19	4.78
[illegible]	5¼	52.76	52.76	56.12	+0.18	6.84
TR Japan Growth	5¼	83.16	83.16xd	88.27	-0.21	0
[illegible]	5¼	68.12	68.12xd	72.64	-0.06	0
TR Smaller Cos	5¼	78.32	78.32	83.31	+0.23	3.64
TR Special Cos	5¼	88.32	88.32	93.95	-	4.19
TR Mgd Eq Pian Acc	5¼	36.30	36.30	38.61	+0.01	2.99
TR Mgd Eq Plan Inc	5¼	34.04	34.04	36.21	+0.01	2.99
TR Wwde Sp Sit Acc	5¼	39.78	39.78	42.46	-0.21	0
TR Wwde Sp Sit Inc	5¼	39.74	39.74	42.42	-0.20	0
TR Pension Portfolio						
TR American Gwth ♦	6	29.27	29.66	31.44	+0.09	0
TR Eur Sp Sits ♦	6	36.08	36.44	38.62	-0.08	0
TR General Growth ♦	6	26.15	26.43	28.02	+0.13	0
TR Global Tech ♦	6	30.20	30.60	32.44	-0.26	0
TR Income Growth ♦	6	26.33	26.60	28.20	+0.15	0
TR Japan Growth ♦	6	26.02	26.24	27.82	-0.09	0
TR Mgd Equity ♦	6	27.83	28.12	29.81	+0.05	0
TR Overseas Growth ♦	6	29.21	29.59	31.37	-0.07	0
TR Smaller Cos ♦	6	18.50	18.70	19.82	+0.07	0
TR Special Ops ♦	6	18.17	18.36	19.47	+0.03	0
TR Stlg Liquidity ♦	6	26.49	26.96	28.08	-	0
TR Wwde Sp Sits ♦	6	32.36	32.82	34.78	-0.15	0
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686 4355						
TUUT	5	255.7	261.1	274.8	+1.9	3.15
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Triton General	5¼	170.4	173.0	184.1	+0.20	3.31
Tyndall Unit Tst Mngrs Ltd (1600)F						

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Life Assurance Co Ltd -Contd.				
High Inc Ser. 4	479.[illegible]			
Money Ser. 4	250.[illegible]			
Intl Ser 4	174.[illegible]			
Custodian Ser. 4	105.[illegible]			
Pension Funds				
Property	637.[illegible]			
Equity	[illegible]			
Selective	385.[illegible]			
Managed	[illegible]			
Security	495.[illegible]			
Fixed Int.	264.[illegible]			
Indexed	159.[illegible]			
American	273.[illegible]			
Japan	316.[illegible]			
European	186.[illegible]			
High Income	153.[illegible]			
Ethical	122.[illegible]			
International	210.[illegible]			
Acuma Life Assurance Ltd				
The Grange, Egham, Surrey [illegible]				
Managed	175.[illegible]			
World Growth	[illegible]			
UK Equity	204.[illegible]			
UK Small Companies	175.[illegible]			
European	153.[illegible]			
Far Eastern	307.[illegible]			
Nth American	112.[illegible]			
Fixed Interest	128.[illegible]			
Index Linked Stks	143.[illegible]			
Money	128.[illegible]			

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Norwich Union Life Insurance Soc.—Contd.

Pensionsaver* & Unit-Linked Plus*

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed Fund	405.5	426.8	-2.1	-
Ordinary Share Fund	604.3	636.1	-4.1	-
International Fund	167.7	176.5	-1.4	-
Property Fund	263.3	277.2	+0.4	-
Fixed Interest Fund	300.6	316.4	+3.1	-
Index-Linked Sec Fund	172.2	181.3	-0.4	-
Deposit Fund	227.1	239.1	+0.7	-
Norwich Units May 15	938.37		—	-

*Prices as at June 19

Jersey Investment Plan

	Bid Price	Offer Price	+ or -	Yield Gross
With Profits Fund	99.22	104.44	+0.04	-
Intl Equity Fund	94.13	99.09	-0.15	-
Intl Bond Fund	96.92	102.02	-0.46	-

Pearl Assurance (Unit Funds) Ltd

Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Dist. (Gross)	170.6	179.6	—	-
Prop Acc. (Gross)	291.7	307.1	+0.1	-
Equity (Gross)	821.2	864.4	+5.7	-
Managed (Gross)	572.7	602.9	+3.7	-
Prop. Acc (Net)	135.6	142.8	—	-
Equity (Net)	189.3	199.2	+1.2	-
Managed (Net)	174.7	183.9	+1.1	-
Internat'nal (net)	166.9	175.7	+0.1	-
Gilt & Fxd Interest	105.0	110.6	+0.3	-
Money Fund	116.3	122.4	—	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	577.6	608.0	+3.6	-
Ret Man (Series 2)	195.8	206.2	+1.2	-
Ret Man (Series 3)	130.6	130.6	+0.8	-
Ret Cash	155.8	164.0	—	-
Ret Cash (Series 3)	129.4	129.4	+0.1	-

Pegasus Assurance Ltd

Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Aggressive	104.7	110.2	-0.4	-
Managed Balanced	97.9	103.1	-0.4	-
Managed Cautious	94.1	99.1	-0.2	-
Pension Funds				
Managed Aggressive	105.6	111.2	-0.5	-
Managed Balance	99.4	104.7	-0.4	-
Managed Cautious	95.1	100.1	-0.2	-

Pioneer Mutual Insurance Co Ltd

16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	325.0	342.2	-2	-
Man Pens Inc & Cap Fds	434.3	457.2	-3.1	-
Money Fund	130.9	137.8	+0.2	-
Pens Mngd Fd (Init)	117.0	123.2	+3.4	-
Pens Mngd Fd (Acc)	150.5	158.5	+4.6	-
Pens FT30 Fd (Init)	148.3	156.2	+0.5	-
Pens FT30 Fd (Acc)	190.8	200.9	+0.7	-
Pens O'seas MgFd(Init)	79.4	83.6	+0.5	-
Pens O'seas MgFd(Acc)	102.2	107.6	+0.8	-
Pens Fxd Int Fd (Init)	102.5	107.9	+0.6	-
Pens Fxd Int Fd (Acc)	131.9	138.9	+1	-
Pens Deposit Fd (Init)	112.5	118.5	+0.1	-
Pens Deposit Fd (Acc)	144.8	152.5	+0.5	-

Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	112.0	118.0	-1	-
Building Soc. Fd	186.0	196.0	—	-
Balanced	276.0	291.0	—	-
European	204.0	215.0	—	-
GT Managed	190.0	200.0	-1	-
Gartmore Mngd	131.0	138.0	-1	-
German	174.1	184.0	+1	-
Gilt	158.0	167.0	+1	-
Global	38.0	40.0	—	-
International Equity	201.0	212.0	—	-
Japan	226.0	238.0	—	-
Leisure	48.0	51.0	—	-
Managed	54.0	57.0	—	-
Property	306.0	323.0	—	-
R. W. Imperial Gold	144.0	152.0	-1	-
UK Equity	296.0	312.0	+1	-
Pension Funds				
American	155.0	164.0		

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed June 20	249.6	260.0	-0.2	-

Prudential Holborn Life Ltd

30 Old Burlington St, London W1X 1LB 071-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Holborn Series I Life Funds				
Managed	557.8	587.2	+2.2	-
Equity	1140.8	1200.9	+7.7	-
Fixed Interest	378.8	398.8	+1.6	-
Property	435.2	458.2	—	-
Cash	287.1	302.3	+0.3	-
International	392.0	412.7	+0.3	-
Holborn Series II Life Funds				
Managed	545.5	574.3	+2.2	-
Equity	1112.4	1171.0	+7.5	-
International	383.5	403.7	+0.3	-
Fixed Intl	368.0	387.4	+1.5	-
Property	423.1	445.4	+4.23	-
Cash	279.4	294.2	+0.3	-
Pacific Basin	202.5	213.2	+0.2	-
North American	151.7	159.7	-0.8	-
European	189.9	199.9	+0.8	-
Holborn Balanced Gwth	115.1	121.2	+0.3	-
Holborn Strategic Gwth	115.1	121.2	+0.1	-

Prudential Holborn Pensions Ltd

30 Old Burlington St, London W1X 1LB 071-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	581.6	612.3	+2.1	-
Equity	847.2	891.8	+5.6	-
Global Equity	242.4	255.2	+0.1	-
Fixed Interest	408.8	430.4	+1.8	-
Property	434.0	456.9	—	-
Cash	179.2	188.7	—	-
Index Linked Gilt	207.5	218.5	+0.3	-
Guaranteed	24.12		+0.12	-
International Money	212.0	223.2	-0.5	-
North American	75.9	79.9	+1.8	-
Japanese	123.4	129.9	-2.8	-
European	114.8	120.9	-0.3	-
Special Situations	119.6	125.9	+0.4	-
Communications	96.1	101.2	+0.4	-
Smaller Companies	106.0	111.6	-4.1	-
International Small Cos	141.6	149.1	-0.6	-

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 071-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary June 13	£166.87	171.99	—	-
Equity June 13	£181.77	188.20	—	-
International June 13	£29.23	29.88	—	-
Intl Bond June 13	£11.99	12.15	—	-
Fixed Int June 13	£75.04	75.89	—	-
Index Linked June 13	£65.58	66.40	—	-
Property June 13	£109.80	115.99	—	-
Cash June 13	£24.1685	24.1685	—	-
Pru-Linked Retirement Plan				
Managed June 19	392.9	409.3	+3.4	-
Cash June 19	225.2	234.6	+0.7	-
Prudential Pensions Investment Account				
Pens Mngd June 20	157.6	169.4	+1.0	-
Pens UK Eq June 20	311.5	336.2	+6.3	-
Pens Intl June 20	190.1	204.6	-0.5	-
Pens Global Equity June 20	97.4	102.6	+1.2	-
Pens Fixed June 20	169.8	179.3	-0.4	-
Pens Index Lk June 20	168.7	178.0	-0.6	-
Pens Property June 20	89.4	94.2	—	-
Pens Cash June 20	146.9	154.8	+0.4	-

Regency Life Assurance Co Ltd

Regency Hse, Lanark Sq, London E14 9XS 071-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	119.9	126.2	+0.6	0.0
Balanced Ptflio Fd	317.0	333.6	+2.8	-
Cautious Ptflio Fd	123.7	130.2	+0.5	0.0
Elite Fund	111.0	116.8	+1.1	-
European Fund	107.6	113.2	+1.2	-
Far East Fund	100.8	106.0	-0.4	-
Fixed Interest Fund	230.0	242.1	-0.8	-
International Fund	263.2	277.0	+1.2	-
Money Fund	192.0	202.0	+0.1	-
N. American Fd	121.8	128.2	+0.6	-
Property Fund	385.1	405.3	+2.0	-
UK Equity Fd	386.5	406.8	+6.1	-

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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OFFSHORE INSURANCES

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	Bid Price	Offer Price	+ or -	Yield Gross
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90-10 Trust (Sicav)				
Dollar Fd BOPUPs	$10 26	10 27		-
Dollar Fd OPUPs	$9 17	9 24		-
Sterling Fd BOPUPs	£10.30	10 31		-
Sterling Fd OPUPs	£9 86	9 93		-
DM Fd BOPUPs	DM10 04	10 05		-
DM Fd OPUPs	DM8 89	8 95		-
Yen Fd BOPUPs	$7.59	7 60		-
Yen Fd OPUPs	$9 08	9 15		-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$13 27	13 94	[illegible]	0 79
Japanese Warrants	$10 24	10 85	+0 09	-
Asian Warrants	$9 93	10 52	+0.12	-
European Warrants	$10 08	10 68	+0 09	-
Managed	HK$9 63	10 27	-0.07	-
Wells Fargo U.S. IT Fund				
NAV June 19		$10 02		-
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0253		-
Xiphias Int ECU		Ecu1.0242		-

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd	14 78	-	15 62	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14 70	-	15.53	3-Mth
Cent. Bd. of Fin. of Church of Englandtt				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14 85	-	15 70	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			071-236 1425	
Call Fnd	14 47	11 29	15 48	6-Mth
7-day Fund	14 53	11.34	15 54	6-Mth
Special Fund	14 82	-	16 25	1-Mth
Dollar	7 00	5 46	7 43	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			071-638 6070	
Treasury Acc	13.50	10 53	14 60	Qtr
[illegible]	13 50	10 53	14 73	Mth
[illegible]	14 00	10 92	15 31	Mth
Mth Int Chq £50 000+	14.50	11.31	15 88	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London EC4N 5AD			071-629 6802	
OMNIA (£2 001+)	14 78	11 53	16 210	Mth
HICA (£2 001+)	13 90	10 84	15 196	Mth
PROMNA (£250 001+)	14 90	11 62	16.349	-
American Express Bank Ltd				
c/o American Express Financial Services Limited, 49 The Martlets, Burgess Hill, West Sussex, RH15 9NW 0444 870088				
High Performance Cheque Account				
£1 000-£4 999	12 16	9.50	12.87	Mth
£5 000-£9 999	12 30	9 60	13 01	Mth
£10 000-£24 999	12 81	10 00	13 59	Mth
£25 000+	13.58	10 60	14 46	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			071-625 7000	
2 000-9 999	13 782	10 750	14 921	Qtr
£10,000+	14.103	11.000	15 285	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			071-601 6746	
HM Chq Acc £2,500-£24 999	13 4	10 45	14 62	Mth
£25,000+	13 65	10 64	14.91	Mth
Barclays Capital Advantage Account				

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

EMS factor again to the fore

RENEWED speculation about the timing of sterling's entry into the European Monetary System as a full member boosted the pound yesterday, while the US dollar strengthened in thin technical trading.

Sterling began the day firmly as high UK interest rates and a lack of movement by any of the other major currencies continued to attract investors. The market reflected renewed speculation about sterling's into the exchange rate mechanism of the EMS, even to the point of an expectation of an imminent statement from the Treasury, according to Mr Tim Fox, treasury economist at Midland Montagu.

The speculation was heightened when it became known that Mr John Major, the Chancellor of the Exchequer, was to speak later in the day on the UK government's proposals for further development of European Monetary Union. Mr Fox said the market would again be looking for hints from Mr Major on the timing of sterling's entry into the ERM.

The release of May UK monetary data coincided with a temporary weak patch for sterling, though the move was technical and not linked to the publication of the data. The MO money supply measure grew in the year to May by a seasonally adjusted 6.9 per cent, close to market expectations.

The release of the UK May balance of payments figures tomorrow also injected a note of caution into the markets. The market consensus is that the current account deficit will narrow to £1.4bn from £1.8bn in April. Sterling rose to DM2.8900 from DM2.8725, having touched a high of DM2.8940. It also rose to $1.7240 from $1.7205; to Y265.50 from Y264.25; to FFr9.7200 from FFr9.6600; and to SFr2.4375 from SFr2.4225. Sterling's exchange rate index, as calculated by the Bank of England, rose to 90.8, up 0.4 point.

The dollar rose slightly in quiet trading. Reports that Mr Mikhail Gorbachev, the Soviet leader, might resign as general secretary of the Communist Party helped lift the US unit.

After the European markets closed, the Federal Reserve released a survey conducted by its 12 system members, which reported slower US economic growth and stable inflation. The report reinforced recent economic data that inflationary pressures are being contained as growth weakens. But dealers said they did not expect any immediate easing in monetary policy.

The next move in US monetary policy is not likely to come until early July, when the Federal Open Market Committee next meets. But analysts are uncertain whether the Fed will sanction any loosening of monetary policy. In New York, immediately after the report was released the dollar was steady.

In London the dollar closed higher at DM1.6770 from DM1.6700; at SFr1.4140 from SFr1.4080; at Y153.95 from Y153.55; and at FFr5.6375 from FFr5.6150. The dollar's index closed 0.2 point firmer at 67.5.

£ IN NEW YORK

June 20	Latest	Previous Close
£ Spot	1.7225-1.7235	1.7208-1.7218
1 month	0.94-0.93pm	0.98-0.97pm
3 months	2.76-2.74pm	2.72-2.70pm
12 months	9.16-9.09pm	9.28-9.21pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

June 20		Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

June 20	Bank rate %	Special* Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

† European Commission Calculation. * All SDR rates are for June 19

CURRENCY MOVEMENTS

June 20	Bank of England Index	Morgan* Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (Base Average 1985=100). *Rates are for June 19

OTHER CURRENCIES

June 20	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1222.85-1242.60	713.70-719.30
Kuwait	0.5025-0.5040	0.2925-0.2930
Luxembourg	59.40-59.50	34.45-34.55
Malaysia	4.6540-4.6655	2.7085-2.7105
Mexico	4898.55-4903.15	2848.00-2849.00
N. Zealand	2.9480-2.9495	1.7130-1.7150
Saudi Ar.	6.4455-6.4515	3.7495-3.7505
Singapore	3.1650-3.1725	1.8405-1.8425
S. Af (Cm)	4.5800-4.5915	2.6655-2.6670
S. Af (Fn)	6.7220-6.8560	3.9060-3.9840
Taiwan	47.15-47.25	27.40-27.45
U.A.E.	6.3110-6.3185	3.6725-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

June 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14⅞-14¾	14 13/16-14¾	14 13/16-14¾	14 13/16-14 11/16	14 11/16-14 9/16
US Dollar	8¼-8⅛	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼	8½-8⅜
Can. Dollar	13-12¾	13¼-13	13⅜-13¼	13½-13⅜	13½-13⅜	13⅛-12 15/16
D. Guilder	7½-7	8-7½	8⅛-8⅛	8¼-8⅛	8⅜-8¼	8½-8⅜
Sw. Franc	9-8¾	9-8¾	9-8¾	8 15/16-8 13/16	8 13/16-8 11/16	8¾-8⅝
Deutschmark	7¾-7 11/16	7 13/16-7 11/16	8⅛-7 15/16	8¼-8⅛	8⅜-8⅛	8 11/16-8 9/16
Fr. Franc	9 13/16-9 11/16	9 13/16-9 11/16	9 15/16-9 13/16	10⅛-10	10¼-10⅛	10⅜-10¼
Italian Lira	13-11	9¼-8½	10⅛-10⅛	11¼-10⅞	11¼-11	11¼-11⅛
Belgian Franc	8¾-8½	9 13/16-9 11/16	9 13/16-9 11/16	9⅞-9¾	9⅞-9¾	9⅞-9¾
Yen	7⅛-7⅛	7⅛-7⅛	7⅜-7¼	7⅛-7⅛	7⅝-7½	7¾-7⅝
D. Krone	11⅛-10 13/16	11⅛-10 13/16	11⅛-10 13/16	10¾-10½	10⅝-10½	10⅝-10½
Asian $Sing	8¼-8⅛	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼	8½-8⅜

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 9⅛-8 15/16 per cent; four years 9⅜-9¼ per cent; five years 9⅜-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

June 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7180-1.7245	1.7235-1.7245	0.95-0.93cpm	6.54	2.78-2.75pm	6.42
Canada	2.0135-2.0205	2.0195-2.0205	0.25-0.17cpm	1.25	0.60-0.47pm	1.06
Netherlands	3.24¼-3.25¼	3.24¼-3.25¼	1⅞-1¼cpm	6.69	5¼-4⅞pm	6.15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

June 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 20	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	3.766	6.495	10.89	1000.	36.61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.029	1.774	2.973	273.1	10.	2.508	3.347	2182	2.078	61.16
S Fr.	0.410	0.707	1.186	108.9	3.987	1.	1.334	870.0	0.829	24.38
H Fl.	0.307	0.530	0.888	81.62	2.988	0.749	1.	652.0	0.621	18.28
Lira	0.471	0.813	1.363	125.2	4.583	1.149	1.534	1000.	0.952	28.03
C $	0.495	0.853	1.431	131.4	4.812	1.207	1.610	1050	1.	29.43
B Fr.	1.682	2.900	4.861	446.6	16.35	4.101	5.472	3568	3.398	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURMARK OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
June	2009.0	2019.0	+8.0	2024.5	2008.0	4,317
July	2014.0	2019.0	+9.0	2023.0	2007.0	2,160
August	2023.0	2023.0	+4.0	2023.0	2023.0	240
September	-	-	-	-	-	10

Estimated volume 4,851 Total Open Interest 6,727

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7240	1.7146	1.6964	1.6723	1.6325

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6934	1.6942	1.6922	1.6972
Jul	1.6698	1.6698	1.6680	1.6720
Mar	-	-	-	-

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm.	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

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PUBLIC WORKS LOAN BOARD RATES

Effective June 20

Years	Quota loans repaid by EIP†	Quota loans repaid by AP††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid by AP††	Non-quota loans A* repaid at maturity§
1			13¾			14½
Over 1 up to 2	13⅝	13⅝	13⅛	14⅝	14⅝	14
Over 2 up to 3	13⅜	13⅜	12¾	14⅜	14⅜	13½
Over 3 up to 4	13⅛	13	12½	14⅛	14	13¼
Over 4 up to 5	12⅞	12¾	12⅜	13⅞	13¾	13⅛
Over 5 up to 6	12¾	12⅝	12¼	13¾	13⅝	12⅞
Over 6 up to 7	12½	12½	12¼	13	13	12¾
Over 7 up to 8	12½	12⅜	12⅛	13	12⅞	12⅝
Over 8 up to 9	12⅜	12¼	12⅛	12⅞	12¾	12⅝
Over 9 up to 10	12¼	12¼	12	12¾	12¾	12½
Over 10 up to 15	12¼	12⅛	11½	12¾	12½	12
Over 15 up to 25	11¾	11⅜	11⅛	12¼	11⅞	11⅝
Over 25	11¾	11⅛	11⅛	11¾	11⅝	11⅝

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

JOTTER PAD

CROSSWORD

No.7,269 Set by FETTLER

ACROSS

1 Changes to new vectors (8)
5 Glove with five fingers missing? Here's German with ten (6)
10 Due opinion? (5)
11 The crowd in shutting her in (9)
12 Spirit in double measure is needed to provide cheer (9)
13 Near a sporting venue (5)
14 Court retreat is rather dull (6)
15 Divine is about to draw out; that's what is inferred (7)
18 Primitive craft? Gosh! lace is involved (7)
20 Chap CIA conditioned is raving mad (6)
22 Allow to let in (5)
24 Marriage portion - women tend to organise (9)
25 Soil, being misused, left beggared (9)
26 One-time lord's Belgian fief? (5)
27 Need CO encipher? (6)
28 Coppers, hanging about, half resent being there (8)

DOWN

1 Stir porridge and it's less hot (6)
2 Broken rib: enough for the one next door .... (9)
3, 6 .... each one having WISE men, differently ordered (7,8,7,3,5)
4 Make firm compact (7)
6 See 3
7 Extended family, sending note about the wife (5)
8 They give grudgingly poor gradings (8)
9 Doesn't pickled mean soused? (6)
16 Tea (English) with lemon, stirred for one who's fickle (9)
17 Scratch game (8)
19 Questionably green, yet starting to produce power (6)
20 May ride, curiously, in July (3-4)
21 Wisdom personified in heathen entity (6)
23 One doctoring 500 mice (5)

Solution to Puzzle No.7,268

MONEY MARKETS

Firm London rates

UK money market rates were firm yesterday but closed below their highs after the Bank of England provided more liquidity than it had initially forecast was necessary.

During the morning, rates hardened after the Bank followed the pattern of recent days by forecasting a shortage and purchasing a small amount of shorter-dated bills. But in the afternoon, it provided more than enough liquidity to meet the market's needs, and rates eased back slightly.

The Bank left the market short of liquidity on Monday and Tuesday. As a result, clearing banks' balances fell and this may have prompted the Bank to supply the additional liquidity. In its morning forecast of the market shortage, the Bank said bank balances were £220m below target.

The fall in bank balances and the approach of the May UK trade figures had caused dealers to run tight books. The thinness of the market caused sharp movements in very short rates, with overnight money dropping from 15-14½ per cent *to 3-1 just after late assistance* was provided. But it recovered to close at 14¾-14¾ per cent from 15¼-14⅞ the previous day.

The key three-month interbank rate closed at 14 15/16-14⅞ per cent, unchanged on the day, but down from its high of 15. One year money finished at 14¾-14⅝ per cent, down 1/16 point.

Initially, a shortage of £600m had been forecast, and was later revised to £500m and finally to £450m. Total help of £458m was provided, which meant the Bank had overfunded by £8m.

During the morning it purchased £186m of band 2 bank bills at 14¾ per cent. In the afternoon it bought in Band 1 £6m Treasury bills at 14⅞ per cent and £61m of bank bills at 14⅞. Finally late assistance of £205m was provided.

In Frankfurt, call money rates were little changed despite a smaller allocation of Bundesbank repurchase funds. Call money was quoted at 7.75-7.80 per cent, down from 7.80-7.90 the previous day.

The Bundesbank allocated DM17.9bn of repurchase funds in a two-tranche tender, draining a net DM2.4bn from the market. One senior West German money dealer said the market was sufficiently liquid to offset the drain caused by tax payments this month. He expected call money rates to *remain close* to current levels for the rest of the week.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. June 20) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed. funds	8⅛
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	7.56	Three year	8.41
Two month	7.46	Four year	8.47
Three month	8.00	Five year	8.44
Six month	8.06	Seven year	8.53
One year	8.12	10-year	8.49
Two year	8.39	30-year	8.47

June 20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.65-7.90	7.85-8.00	8.00-8.15	8.15-8.30	8.40-8.55	8.00
Paris	9⅞-9⅞	9⅞-9⅞	-	10⅛-10⅛	-	9.50
Zurich	8⅛-8⅛	8¼-9	-	8¼-9	-	-
Amsterdam	7.35-7.50	8.10-8.20	-	8.26-8.36	-	-
Tokyo	7⅞-7⅞	7⅞-7⅞	-	7⅞-7⅞	-	-
Milan	11¼-11½	11⅛-11⅛	-	11⅛-11⅛	-	-
Brussels	9.25	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	11¼-11¼	11⅛-11⅛	11-11¼	10 15/16-11⅛	10¾-11	-

LONDON MONEY RATES

June 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	14⅞	14 15/16	15	15	14 13/16
Interbank Bid	5	14¾	14 13/16	14⅞	14⅞	14 11/16
Sterling CDs	-	-	14 13/16	14 13/16	14 13/16	14 11/16
Local Authority Deps.	14¾	14¾	14 13/16	14 13/16	14 13/16	14 11/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅞	14 13/16	14 13/16	14½	-	-
Company Deposits	-	-	14⅞	15	15	14⅞
Finance House Deposits	-	-	15	15	15	14¾
Treasury Bills (Buy)	-	-	14 13/16	14⅜	-	-
Bank Bills (Buy)	-	-	14⅝	14 13/16	13 13/16	-
Fine Trade Bills (Buy)	-	-	15¼	15⅛	14⅞	-
Dollar CDs	-	-	8.25	8.27	8.37	8.55
SDR Linked Dep. Offer	-	-	8⅞	9	9⅛	9¼
SDR Linked Dep. Bid	-	-	8¾	8⅞	9	9⅛
ECU Linked Dep. Offer	-	-	10	10⅛	10¼	10⅜
ECU Linked Dep. Bid	-	-	9⅞	10	10⅛	10¼

Treasury Bills (sell); one-month 14 11/16 per cent; three months 14⅜ per cent; Bank Bills (sell): one-month 14⅝ per cent; three months 14 11/16 per cent; Treasury Bills; Average tender rate of discount 14.3572 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1990. Agreed rates for period June 26, 1990 to July 24, 1990, Scheme I: 15.91 p.c., Schemes II & III: 16.44 p.c. Reference rate for period May 1, 1990 to May 31, 1990, Scheme IV&V: 15.201 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from June 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6), Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

WORLD STOCK MARKETS

AUSTRIA

June 20	Sch	+ or −
Austrian Airlines	4,750	—
Creditanstalt	5,950	+60
Erste Allgemeine	21,300	+1,000
Jungbunzlauer	14,750	+50
Landerbank	1,215	−5
OeMV	10,010	—
Perlmooser	2,030	—
Radex	1,140	—
Reininghaus	2,230	—
Steyr-Daimler	218	+10
Veitscher Mag	1,010	—
Verbund	545	+2
Wienerberger	5,865	+5

BELGIUM/LUXEMBOURG

June 20	Frs.	+ or −
Arbed	5,440	—
B.B.L	3,020	—
Bank Intl. a Lux	15,500	—
Banque Gen. Du Lux	14,700	—
Banque Nat Belg	33,575	—
Barco	2,400	−10
Bekaert B	14,925	+50
Cment CBR	9,390	−100
Cobepa	5,640	−70
Do. AFV 1	5,350	−250
Cockerill	193	−2
Colruyt	25,500	+100
Delhaize	6,400	+30
EBES	3,910	−20
Do. AFV 1	3,825	+20
Fabrique Nat	234	+9
GIB Group	1,370	+14
Do. AFV	1,342	−8
GBL(BruxL)	3,990	—
Do. AFV 1	3,995	+10

FRANCE (continued)

June 20	Frs.	+ or −
Beghin-Say	872	+1
Do. Certs	625	—
Bongrain	3,350	−30
Bouygues	647	+7
CGIP	1,340	—
CMB Packaging	194.4	−1.6
Carrefour	3,505	+8
Casino	128.2	−6.3
Cetelem	558	−7
Chargeurs	1,020	+5
Ciments Fr.	1,727	−34
Club Mediterranee	606	−4
Cofimeg	351	−3
Coglfi	438	−4
CGE	623	+6
Coparex	580	+5
CCF	227	+2
Cred Foncier Fr	1,280	−6
Cred Lyonn (CI)	815	−14
Credit National	1,472	−18
Damart	3,085	+9
Docks de France	3,850	+90
Dollfuss-Mieg	548	+6
Dumez S.A.	586	−1
Eaux (Cie Gen)	2,643	+25
Ecco	589	+9
Electrofla're	1,025	−6
Elf-Aquitaine	666	+2
Do. Certs	495	+5
Epeda-Bertrand	1,170	−3
Essilor	2,645	+40
Eternit (Fin.)	2,144	−16
Eurafrance	2,037	−11
Eurocom	2,260	+31
Euro Disneyland	102.8	+0.3
Euromarche	3,950	+50
Exor	1,760	−15

CANADA

Sales	Stock	High	Low	Close	Chng
6864	CTire A f	$20⅞	20⅞	20⅞	+ ⅛
6062	CUtil A f	$19	19	19	− ⅛
800	CUtil B	$19½	19½	19½	
14453	Canamax o	126	124	124	− 1
10502	Cantor	$27½	27¼	27⅜	− ¼
100	Cara	$17⅞	17⅞	17⅞	+ ⅛
700	Cara A f	$17	17	17	− ⅛
1800	Carena	$30	30	29	− ¼
700	Celanese	$30½	30½	30½	+ ¼
228600	Horsham f	$10⅛	9¾	10⅛	+ ⅜
95	H BayMn p	$5½	5½	5½	
3007	H Bay Co	$31⅛	30⅞	31	
10220	Imasco L	$38⅝	38⅜	38½	− ⅛
10242	Imp Oil A	$58⅝	58¼	58¼	− ⅜
77830	Inco	$32	31⅝	31½	− ⅛
700	Inspec	$6¼	6¼	6¼	+ ⅛
6808	Interhome	$40	40⅛	40⅜	+ ⅛
2910	Inv Grp	$23⅛	23¼	23¼	

INDICES

NEW YORK

DOW JONES	June 19	June 18	June 15	June 14	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2895.56	2882.18	2935.89	2928.22	2935.89 (15/6)	2543.24 (30/1)	2935.89 (15/6/90)	41.22 (2/7/32)
Home Bonds	90.81	90.98	91.05	90.94	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1178.85	1175.73	1193.25	1195.44	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.94	208.31	211.71	213.09	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High (2930.45) Low (2877.48)

STANDARD AND POOR'S	June 19	June 18	June 15	June 14	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	358.47	356.88	362.91	362.91	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	420.11	418.00	425.01	424.51	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	29.38	29.29	29.90	29.94	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.61	194.95	197.86	197.98	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	360.83	360.76	364.03	364.30	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	460.53	460.79	467.55	467.10	468.86 (13/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	June 15	June 8	May 25	year ago (approx.)
Dow Industrial Div. Yield	3.67	3.71	4.01	3.59

	June 13	June 6	May 30	year ago (approx.)
S & P Industrial div. yield	2.90	2.91	2.93	3.14
S & P Indl. P/E ratio	17.07	17.01	16.89	12.84

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Dry Pete	2,555,000	26	− ⅛
Chrysler	1,700,800	16⅝	+ 1
Boeing	1,597,400	58⅝	− ⅛
Phillip Morris	1,574,900	44⅞	+ 1½
IBM	1,465,600	118⅞	—
Global Marine	1,203,200	4⅞	− ⅛
Gen Electric	1,010,800	69⅝	+ ⅛
Motorola	1,009,900	85	− ⅛
Fannie Mae	1,008,500	40⅞	+ ⅛
Am Express	994,400	30⅞	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	June 19	June 18	June 15
New York	135.499	133.470	205.130
Amex	8.034	9.801	12.070
NASDAQ	(u)	157.647	168.499
Issues Traded	2,005	1,999	1,995
Rises	788	348	611
Falls	708	1,205	834
Unchanged	519	446	548
New Highs	18	13	38
New Lows	45	45	29

CANADA TORONTO

	June 19	June 18	June 15	June 14	1990 HIGH	1990 LOW
Metals & Minerals	3181.00	3183.20	3217.70	3229.20	3453.05 (4/1)	2850.80 (23/4)
Composite	3529.10	3519.85	3549.10	3577.11	4009.47 (3/2)	3334.20 (1/5)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. † Correction.

**Saturday June 16: Taiwan Weighted Price: (c). Korea Comp Ex. 774.07

a Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday June 20 1990

	Stocks Traded	Closing Prices	Change on day
MHI	17.0	1,040	+10
Fuji Photo Film	10.8	4,390	+100
Nippon Suisan	7.8m	[illegible]	−20
Nippon Mining	6.8m	[illegible]	−3
Daifuku	6.4m	2,850	+150
Teikoku Tsushin	6.1m	1,500	+150
Kirin Brewery	5.9m	1,820	+20
Nippon Oil	5.7m	1,370	−10
Nippon Steel	5.8m	557	+1
Toyota Motor	5.2m	2,080	+70

3pm prices June 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	19	AAR	.48	2.5	12	690	19⅝	19⅜	19½	
9¼	8	ACM n	1.01	12.		51	8⅝	8⅝	8⅝	
11⅝	9⅝	ACMIn	1.28	12.		312	10¼	10⅛	10⅛	– ⅛
9¼	7¾	ACM M n	1.01	13.		229	8	7¾	7⅞	+ ⅛
12⅛	10	ACMMM				139	10¼	10⅝	10⅛	+ ⅛
11½	9⅝	ACM Sc	1.26	12.		601	10⅛	10	10⅛	+ ⅛
9⅛	8¼	ACMSp	1.01	12.		333	8⅛	8¼	8¼	
24⅝	14⅞	AL Lab	.18	.7	20	504	22¾	22½	22½	
5¼	2⅛	AM Int				217	2⅞	2¾	2⅞	+ ⅛
22⅛	10¼	AM In pf	2	16.		29	12⅝	12⅜	12⅜	– ⅛
107¼	52½	AMR			13	3335	66¼	65⅞	66	+ ¼
26½	25	ANR pf	2.67	10.		145	25⅝	25½	25½	
4¾	3	ARX				30	3⅞	3⅝	3⅞	+ ⅛
72¼	40⅛	ASA	3a	6.8		620	44½	42⅝	44¼	+1¼
39¼	28¼	AbtLab s	.84	2.1	20	8804	u40	39⅛	39¾	+ ¼
16⅜	11¼	AbitiBi g	.50			4	13⅛	13⅛	13⅛	
12⅞	8¼	AcmeC	.40	4.7	10	34	8½	8¼	8½	
9⅞	7⅝	AcmeE	.32	3.8	10	68	8¼	8⅛	8⅛	– ⅛
41⅞	28⅞	Acuson			22	1712	37¼	36¾	36⅞	
18½	13¾	AdaEx	2.06e	13.		165	16¼	16	16¼	
15⅞	9½	Adobe				150	11½	11⅛	11⅛	– ⅛
20¼	17¼	Adob pf	1.84	9.6		78	19½	19¼	19¼	– ¼
11⅞	6⅞	AMD			19	3782	9⅛	8⅞	9	– ⅛
34¼	28¼	AMD pf	3	9.5		13	31⅝	31⅛	31½	+ ¼
10⅞	4⅛	Advest	.16	3.5	59	87	4⅛	4⅝	4⅝	– ⅛
62½	45¼	AetnLf	2.76	5.2	9	1288	52⅞	52⅛	52⅞	
14	9⅜	AfilPb	.24	2.3		550	10⅝	10⅜	10⅝	+ ⅛
25	16⅛	Ahmans	.88	4.4	9	1582	20⅛	20	20	– ⅛
3⅝	1⅞	Aileen				34	2⅜	2⅜	2⅜	+ ⅛
58	40	AirProd	1.32	2.4	14	846	56	55½	55½	– ⅛

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
78½	61¼	RoylD	3.86e	5.1	12	5344	76½	75½	75⅝	-⅝
15	8½	RoyInt	.20a	1.9	14	109	10½	10⅜	10⅜	-⅛
10	8½	Royce	.52e	5.5		116	9⅝	9½	9½	-¼
41⅜	29¾	Rubmd	.52	1.3	25	394	41	40	40¼	-½
18¼	13¾	RussBr	.40	2.6	15	3	15½	15½	15½	-⅛
15	7⅝	RussTo	.20	2.0		18	10	9⅞	9⅞	-⅛
27⅛	20	Russell	.32	1.3	16	167	25⅝	25	25⅛	-½
31⅛	17⅝	Ryder	.60	2.7	65	1612	22⅜	22¼	22¼	-⅛
28½	15¼	Rykoff	.60	3.3	15	451	19	18⅛	18⅛	+⅛
25¾	18¼	Ryland	.60	3.2	6	189	19½	19	19	-¾
14⅞	8¼	Rymer				4	9½	9⅜	9⅜	-⅛
10⅝	8⅝	Rymr pf	1.17	13.		4	9⅛	9⅛	9⅛	+⅛
		– S – S – S –								
41	34⅛	SCEcp	2.56	6.7	10	777	38½	38⅛	38⅛	-⅜
14½	8⅝	SCOR U	.20	2.0	13	17	10	10	10	
59⅛	30¾	SPSTec	1.28	3.5	15	4	36⅝	36½	36½	-⅜
36⅝	22¾	SPX Cp	1	3.4	6	51	29⅞	29⅝	29⅝	+⅛
17¼	4⅛	Saatchi	.51e	11.		859	4⅞	4¾	4¾	-⅛
14⅝	10⅞	SabnR	1.44e	13.	8	11	11½	11¼	11¼	-⅛
10⅞	4⅞	Safecrd	.10	.9	13	3134	u11⅜	10⅜	10⅞	
17⅛	12⅝	SfgdSc			11	59	15⅜	15⅛	15¼	
40⅛	27⅞	SaftKln	.40	1.0	28	736	39	38¼	38¾	+⅜
12⅞	11⅝	Safewy n				371	12½	12¼	12⅜	
3⅝	2½	Sfwy wt				64	3⅛	3	3	-⅛
9¼	6¼	SahCas	1.12	16.	20	74	7⅛	7	7⅛	
45¼	35⅝	StJoe n	.20	.5		69	37⅛	37	37	
27⅞	21⅞	StJoLP	1.60	5.8	12	29	27⅞	27¼	27⅞	
20⅞	2⅜	Salant				408	2⅞	2½	2½	-⅜
54½	38¼	SallieM	.52	1.0	21	1341	52¼	51¼	51⅞	-½
28⅝	20	Salomn	.64	2.6	6	1460	25¼	24⅛	24⅞	-⅜
14¼	12	SalmBr	1.79e	14.		258	13	12⅞	12⅞	-⅛
45⅝	38½	SDieGs	2.70	6.3	12	228	43	42⅝	42⅞	+⅛
9⅞	6¼	SJuanB	.12j		43	65	7½	7¼	7⅜	-⅛
[illegible]										

NASDAQ NATIONAL MARKET

3pm prices June 20

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMEX COMPOSITE PRICES

2pm prices June 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

AMERICA

Equities falter in repeat of Tuesday's volatility

Wall Street

IN A REPEAT of Tuesday's performance, equities attempted to rally yesterday but then faltered and succumbed to fresh selling pressure, *writes Janet Bush in New York*.

At 2pm, the Dow Jones Industrial Average was quoted 13.86 lower at 2,879.70 in sluggish volume of 90m shares. In the first half hour of trading, the index had gained nearly 10 points but then dipped back towards midsession. On Tuesday, the Dow closed 11.38 higher at 2,893.56.

Other indices were also lower yesterday with the broadly-based Standard & Poor's 500 index down 1.37 at midsession at 357.10 and the Nasdaq Composite index of over-the-counter stocks quoted 0.82 down at 459.71.

Since the sharp drop on Monday, the market has been drifting with little direction in low volume. On Monday, despite the large movement in prices, only 135m shares changed hands; Tuesday's total was similar at 134m.

While the rally of May to mid-June has clearly stalled, there has not been a really convincing downward correction. Technical indicators of the market's strength or otherwise have been deteriorating but this has not been translated into significant profit-taking.

This may partly be because there is some underlying demand from institutional portfolio managers, cutting the cash element of their portfolios in favour of equities before the end of the quarter.

However, some reality appears to have crept into the market. There has been a gradual re-focusing on corporate profitability, which is being eroded by the deceleration of the economy.

Oil stocks were lower yesterday reflecting lower crude prices. Chevron dropped $1¼ to $69¾, Mobil fell $⅝ to $61⅞ and Exxon dipped $¼ to $47⅛.

Motorola added $1 to $86 after a federal court granted a stay of a lower court injunction stopping the company from a selling one of its popular chips.

Consolidated Freightways fell $1⅛ to $14 after the company said that it would suspend dividend payments because of provisions in a new credit facility.

Abbott Laboratories gained $⅞ to $39⅝ after the Food and Drug Administration approved a testing kit to help doctors assess breast cancer patients.

Binks Manufacturing jumped $2 to $41⅞ on the American Stock Exchange on takeover speculation.

Among blue chips, IBM fell $1 to $117⅞, PepsiCo added $¼ to $74⅝, Philip Morris slipped $⅛ to $43½ and International Paper dipped $¼ to $53.

Canada

THE COUNTRY's constitutional troubles kept investors at bay in Toronto yesterday, leaving stocks weaker in light trade. The composite index lost 6.1 to 3,523.0 at the opening, on volume of 4.49m shares. Declines led advances 139 to 101.

Canada faces separatism in Quebec unless the constitutional accord is passed by all 10 provinces by Saturday.

Campeau fell seven cents to C$1.88 after reporting a loss of US$39.59 a share. Stikine Resources gained C$2 to C$69 after Placer Dome said it has acquired 45 per cent of the company and is extending its offer of $67.50 a share.

Economic worries put brakes on Australia

Kevin Brown explains why the recent mini-rally in the stock market has fizzled out

INVESTORS hoping that the Australian market had turned the corner have been disappointed recently as the All Ordinaries index has slid back towards the psychologically important 1,500 level.

A sporadic rally which sputtered into life towards the end of May seems to have run out of steam after peaking at 1,535.5 on June 5, and most brokers now expect the market weakness to continue until there is a real improvement in the economy. Yesterday, the index edged back over 1,500, mainly because of a shortage of stock, rising 3.4 to 1,502.8.

Australia's economic problems started to hit the market seriously in the middle of last year, largely because of concern about the soaring current account deficit – likely to top A$20bn (US$15.6bn) this year – and the country's A$120bn of foreign debt.

Local confidence has also been battered by the well-publicised troubles of Australia's high-profile entrepreneurs, serious industrial problems, and the uncertainty caused by a closely fought general election in March.

In addition, the big banks gave the market a fright by revealing hugely increased provisions for bad debts, partly as a consequence of the easy money regime which fuelled the entrepreneurs. The perception that lending rules have been considerably tightened this year has weakened sentiment further.

The fall never looked like being as precipitate as that which followed the global crash of 1987, when the All Ordinaries slumped from 2,300 to 1,150 in a couple of months. But it was severe enough to push the index down from 1,783 in August to 1,431 early in May.

The latest mini-recovery peaked after the publication of unexpectedly robust growth figures at the end of May, and reflected a national sense of relief that Australia appeared to have avoided slipping into recession – defined as two successive quarters of negative growth.

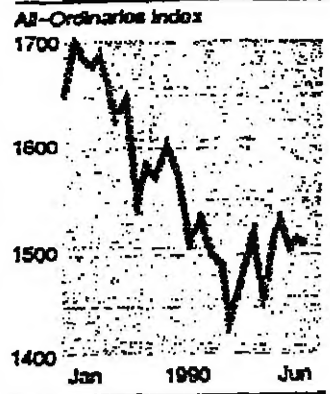
The rally has again petered out on growing scepticism about the credibility of the figures, which show an apparent turnround in the economy from negative growth of 0.1 per cent in the December quarter to positive growth of 1.8 per cent in the March quarter.

Like everyone else, investors are waiting for the next set of monthly figures to gauge whether the economy can avoid the recession which seemed likely a month ago.

Meanwhile, the weakness in the market seems likely to continue until the end of the year, when most observers forecast a fall in interest rates, which should also help the export sector by reducing the external value of the Australian dollar.

Australia

All-Ordinaries index



Most observers think that further dramatic falls are unlikely. Mr Alan Jury, senior analyst at Macquarie Bank, says the index is likely to bump along below 1,500 for the next few months, but is unlikely to fall below 1,450.

The view that the market is at or near the bottom is reinforced by the continued presence of the institutional investors, most of which have retained about 30 per cent of their portfolios in equities.

The AMP Society, Australia's biggest investor, has said publicly that it sees good opportunities in the market at the present level, and brokers tip the transport and building materials sectors to lead the market upwards when sentiment changes.

For the moment, however, events remain dominated by the struggles of a handful of debt-laden companies. The Stock Exchange has been notably tougher with problem companies in recent months in an attempt to dispel the image of Australia as a haven for corporate cowboys, but much of the good work has been undone by the inability of the federal and state Governments to agree on a legal framework for a new National Securities Commission.

EUROPE

Pockets of activity enliven mixed bourse performance

THERE WERE more pockets of activity among the bourses yesterday, but an uncertain outlook in Milan and Frankfurt, in particular, produced a mixed performance, *writes Our Markets Staff*.

MILAN ended mixed as concerns about possible labour unrest erased early gains. The Comit index fell 1.05 to 757.63.

The market was unsettled by news that Italy's three main trade unions had called for a general strike in July after pay talks with Confindustria, the private employers' association, broke down on Tuesday. But some analysts played down the threat of industrial action, because, in their view, Italy's trade unions lacked cohesion and had still not regained their bargaining strength following humiliating defeats 10 years ago.

Construction and insurance stocks continued to rise while the telecommunication sector succumbed to profit-taking. Generali put on L50 to L44,650, Italcementi added L1,550 to L152,950 and Stet slipped L51 to L6,689.

The banking sector was weakened by Mediobanca, which shed L300 to L21,000 on continued uncertainty about its future following the departure of allies at the helms of Banca Commerciale Italiana and Credito Italiano, two leading shareholders in Mediobanca.

FRANKFURT turned to market psychology, as a further 12.81 rise in the DAX brought the closing index to 1,849.55, up 4 per cent from its intraday low of 1,777.66 a week before; dealers wondered whether 1,850 was a level for profit-taking, or whether the 1,876.69 close of June 5 would be a more significant resistance point.

In London, Mr Nick Collings of SBCI observed that the market needed a lot more institutional investment buying before it broke over 1,900. Volume yesterday eased from DM8bn to DM7.2bn.

The FAZ index was 10.67 higher at 782.54. There was sectoral strength in motors, where BMW and Porsche rose DM11 and DM35 to DM580 and DM1,170; in constructions, where Hochtief and Holzmann put on DM30 and DM55, to DM1,425 and DM1,625; and in retailing, where Douglas rose DM28 to DM882, Karstadt DM15 to DM683 and Kaufhof DM12.80 to DM631.

Elsewhere, Siemens advanced DM4.30 to DM728.50 after announcing the listing of its shares in London.

THE BUDAPEST Stock Exchange re-opens formally today after 42 years, with attention centred on Ibusz, the first company to be listed and Hungary's pioneer privatisation, writes Nicholas Denton in Budapest.

Bonds have been issued since 1983 and an embryonic stock market has operated for more than two years, but trading has been slack: in some sessions, no stocks have changed hands at all.

Stock Exchange officials hope that western interest in Ibusz shares and the efforts of 41 securities companies, most of them new, will activate the market.

PARIS had a quiet session, with the CAC 40 index sticking within an 11-point range throughout the day, closing 3.52 higher at 2,009.31. Investors were hesitant before the end of the monthly account today. News of a larger-than-expected May trade deficit of FFr5.7bn had little effect.

Hachette continued to plunge in active trading after its forecast of flat 1990 earnings, losing FFr31 to FFr331.10. Michelin topped the volumes lists, falling FFr2.70 to FFr115.30 with 293,800 shares traded.

MADRID sprang into life in the continuous session in the afternoon after Wall Street's firm opening, following a rather thin open-outcry session in the morning. The general index rose 1.78 to 284.74 in turnover estimated at Pta11bn to Pta12bn, after the previous day's busy Pta10bn.

Telefónica rose Pta16 to Pta865 on fundamentals and amid talk that a lack of available stock in the telecommunications group in the US was pushing up its price in Spain, said Mr Ignacio Garcia Barrero, head of dealing at FG brokers. Constructions and electrical stocks also drew demand.

Bargain-hunters lifted Mapfre, the insurance company, by Pta90 to Pta8,010, after a day's high of Pta8,080. The stock had fallen from Pta8,800 a week ago when it announced its plan to buy key assets of the Puerto Rico American Insurance Company.

STOCKHOLM was led higher by Ericsson which rose on rumours that it would soon win an order worth SKr3bn to supply mobile telephones to the US. Its free B shares added SKr40 to SKr1,325.

The Affärsvärlden General index rose 5.3 to 1,273.6 in turnover of SKr357m, with Ericsson accounting for about one third.

SCA free Bs added SKr1 to SKr114 after news that it was acquiring the UK packaging company, Reedpack, for more than £1bn. But Standard and Poor's placed the A-1 rated commercial paper of SCA Capital Corp Inc, guaranteed by its parent SCA, on its CreditWatch list. The credit rating agency said that the acquisition, which would be financed initially by debt, would limit SCA's financial flexibility to weather cyclical downturns in forest products.

AMSTERDAM firmed across the board, lifted by Frankfurt and an early rise in London, but turnover stayed thin. The CBS Tendency index gained 0.6 to 120.1.

Philips was 30 cents better after saying it would lay off 210 of the 700 employees at its Apeldoorn computer plant, which it said should be back in profit by 1992.

OSLO rebounded after its recent falls and on hopes for lower interest rates. The all-share index rose 6.74 to 616.63 in turnover of NKr270m. Norsk Hydro added NKr2 to NKr200.

ASIA PACIFIC

Nikkei closes with first gain in four sessions

Tokyo

AFTER moving in a narrow range for most of yesterday, share prices closed with a gain, albeit modest, for the first time in four sessions, *writes Michiyo Nakamoto in Tokyo*.

The Nikkei average ended 47.38 higher at 32,087.76, holding above the 32,000 level after a high of 32,182.33 and a low of 32,005.63. Lack of news kept interest low and the only impetus came from arbitrage-linked buying in small lots towards midday, triggered by higher futures prices.

Volume improved from Tuesday's 330m shares but remained weak at 400m. Recently market activity has been curtailed severely and, for the past seven sessions, volume on the first section has not passed 500m shares.

Advancing issues led losers by 492 to 446 and 193 issues were unchanged. The Topix index of all listed stocks added 12.87 to 2,366.80 and, in London, the ISE/Nikkei 50 index rose 6.69 to 1,768.93.

Rising long-term interest rates, combined with major events in July, such as German monetary union, kept investors cautious. Due to the negative interest rate scenario, large-capital issues were generally out of favour. But buying re-emerged in some stocks that had been sold heavily. Mitsubishi Heavy Industries topped the actives list with 17m shares and gained Y10 to Y1,040.

Some high-priced, high-technology stocks were sought by investors looking for volatile issues offering quick gains. Kyocera, the maker of semiconductor components and electronic equipment, added Y180 to Y8,070 and Sony firmed Y100 to Y8,470.

On the whole, however, strong buying enthusiasm was reserved for the smaller issues with good earnings or special stories to support them. Tokyo Steel Manufacturing rose Y100 to a record Y4,590 in view of demand for its steel products.

Mory Industries was strong on demand for its processed stainless steel, also used in the construction industry. Mory hit a year's high of Y1,400 in afternoon trading but closed with a Y130 increase to Y1,390.

Fuji Photo Film was another good earnings issue. It was second in volume terms with 10.9m shares and posted a Y100 advance to Y4,390. It has been rumoured that Fuji would increase its dividend.

Nippon Telegraph and Telephone (NTT), the huge telecommunications company, surged Y70,000 to Y1.15m after remarks by the company's chairman suggesting that it might issue bonus shares.

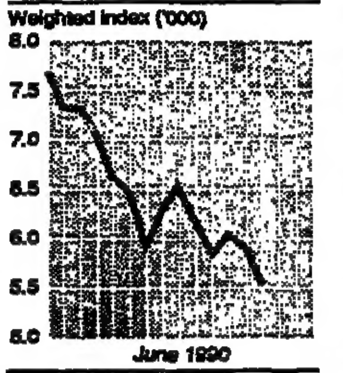
A wait-and-see mood prevailed in Osaka and interest was limited to special situations. The OSE average rose 18.10 to 35,232.75 on volume of 39m shares against Tuesday's 31m. Rohm surged Y230 to Y4,650 on growing sales of its semiconductor lasers, used in communications equipment.

Roundup

AN EVENTFUL day for Pacific Rim markets included a 6.3 per cent plunge in Taiwan, and Hong Kong's biggest trading volume in more than a year.

Taiwan

Weighted index ('000)



TAIWAN plunged on sharply reduced volume on fears that the New Taiwan dollar would have to depreciate further as a result of the recent, heavy capital outflow. The weighted index fell 370.84, or 6.3 per cent, to finish at 5,522.04, the lowest close since January 1989. Volume shrank to 656.5m shares or T$35.74bn from 1.02bn shares or T$50.77bn.

SEOUL fell for the third straight session. The composite index lost 8.77 to 740.84 in thin turnover of Won101bn, down from Won175bn. The stock market stabilisation funds played a moderate role in supporting the market in the late morning, as about Won20bn worth of buying orders were placed. But individual investors remained sellers on worries about the Government's tight monetary policy.

HONG KONG inched higher in the heaviest trade for more than a year, shaking off a mid-session selling bout which briefly brought prices into the red. The Hang Seng index added 5.37 to 3,234.39. Turnover climbed to a very large HK$2.36bn from HK$2.07bn.

BANGKOK rallied across the board on expectations of an early resolution of the domestic political situation, now that Prime Minister Chatichai Choonhavan has returned from a visit to the US. After market hours, the Prime Minister reappointed Gen. Chavalit Yongchaiyudh to the Cabinet. The official SET index added 24.33 to 1,014.11.

NEW ZEALAND was encouraged by the overnight rise on Wall Street, and the Barclays index firmed 9.24 to 1,501.74. Turnover was boosted to NZ$21m from Tuesday's NZ$14m by volume in Fletcher Challenge, which saw shares valued at NZ$9m change hands. The stock added 1 cent to NZ$4.20.

SINGAPORE saw the Straits Times Industrial index up 0.98 to 1,535.85, and KUALA LUMPUR's run of declines came to an end as the composite index rose 3.07 to 573.96.

SRI LANKA share prices and trading volume have plunged after the outbreak of fighting last week between government troops and Tamil rebels, which ended an uneasy truce. The stock market index fell to 334.8 on Tuesday, down 35.2 points, or 9.5 per cent, over the week.

Turnover shrank to Rs1.8m on Tuesday from an average Rs5m last month. The fall came after several weeks of gains, supported by optimism about the economy and the news that the Government would allow foreigners to buy up to 40 per cent of shares in local companies without paying tax.

SOUTH AFRICA

GOLD SHARES extended their losses as bullion price uncertainty and a firm financial rand kept prices under pressure. Vaal Reefs lost R9.50 to R251 and De Beers fell R1.50 to R92. The JSE all-gold index shed 35 to 1,322.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 19 1990								MONDAY JUNE 18 1990					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	139.20	+0.2	119.95	135.11	120.86	118.14	−0.4	5.89	138.96	120.23	135.01	121.08	118.63	168.31	125.86	132.98
Austria (19)	242.22	−0.5	208.73	235.11	210.31	210.65	−1.1	1.30	243.46	210.65	236.54	212.14	213.08	285.83	193.15	122.65
Belgium (61)	150.88	+0.2	130.01	146.43	130.99	127.81	−0.5	4.51	150.58	130.28	146.28	131.20	128.48	160.02	132.11	128.65
Canada (119)	136.75	+0.1	117.84	132.73	118.72	116.20	+0.2	3.49	136.60	118.19	132.71	119.02	115.98	153.61	130.37	139.00
Denmark (33)	261.19	+0.4	225.07	253.52	226.77	225.84	−0.3	1.28	260.23	225.16	252.83	226.75	226.60	261.19	236.69	191.86
Finland (26)	136.73	+0.2	117.82	132.72	118.72	113.33	−0.3	2.42	136.41	118.03	132.54	118.86	113.65	152.29	129.89	141.68
France (125)	157.96	+0.7	136.12	153.31	137.13	139.13	+0.3	2.95	156.93	135.78	152.45	136.73	136.71	168.85	141.89	118.12
West Germany (93)	128.99	+1.1	111.16	125.22	111.99	111.99	+0.8	1.99	127.54	110.35	123.93	111.13	111.13	137.71	122.05	88.19
Hong Kong (46)	133.03	+0.5	114.64	129.12	115.51	133.02	+0.5	4.72	132.39	114.55	128.63	115.37	132.30	133.03	112.24	97.49
Ireland (17)	190.24	−0.1	163.93	184.65	165.17	167.06	−0.5	2.62	190.51	164.83	185.09	166.00	167.93	198.57	172.72	133.72
Italy (96)	109.26	+0.6	94.15	106.04	94.86	100.00	+0.2	2.37	108.65	94.00	105.55	94.66	99.82	109.26	91.85	82.37
Japan (454)	147.26	−1.1	126.90	142.93	127.87	142.93	−1.2	0.59	148.98	128.90	144.74	129.83	144.74	197.26	124.40	171.72
Malaysia (35)	225.13	−0.5	194.00	218.50	195.46	234.93	−0.5	2.30	226.18	195.70	219.74	197.07	236.20	245.32	204.15	180.02
Mexico (13)	506.93	+0.5	436.84	492.04	440.14	1578.80	+0.5	0.33	504.65	436.64	490.30	439.73	1571.13	549.86	324.53	256.23
Netherland (43)	140.46	+0.7	121.04	136.33	121.96	120.46	+0.3	4.68	139.47	120.68	135.50	121.53	120.09	145.86	130.43	118.89
New Zealand (17)	65.34	−1.0	56.30	63.42	56.73	59.44	−1.2	7.46	65.99	57.10	64.12	57.50	60.15	75.36	59.57	68.24
Norway (23)	233.22	+0.7	200.97	226.37	202.49	203.62	+0.1	1.51	231.57	200.36	224.99	201.78	203.51	245.90	202.34	174.91
Singapore (25)	205.49	−0.6	177.08	199.46	178.41	174.39	−0.9	1.94	206.72	178.86	200.84	180.12	176.04	207.93	179.70	160.58
South Africa (60)	176.12	+0.2	151.77	170.94	152.91	150.68	−0.2	3.98	175.83	152.14	170.83	153.21	151.03	251.39	170.00	142.52
Spain (42)	161.01	+0.1	138.75	156.28	139.79	125.88	−0.2	4.23	160.77	139.11	156.20	140.09	126.12	185.19	132.84	147.65
Sweden (34)	215.99	+0.5	186.13	209.65	187.54	193.69	−0.1	2.09	214.93	185.97	208.82	187.28	193.85	217.57	173.89	162.08
Switzerland (66)	104.06	+0.3	89.67	101.01	90.36	90.83	−0.3	2.27	103.77	89.79	100.83	90.44	91.13	104.31	88.75	77.86
United Kingdom (304)	165.03	+0.4	142.21	160.17	143.27	142.21	+0.0	4.77	164.44	142.28	159.75	143.27	142.28	168.11	139.87	138.56
USA (537)	144.96	+0.4	124.93	140.73	125.88	144.96	+0.4	3.35	144.40	124.94	140.30	125.83	144.40	148.55	130.61	131.03
Europe (982)	148.22	+0.5	127.72	143.86	128.69	127.78	+0.1	3.56	147.42	127.56	143.23	128.46	127.63	148.22	135.57	116.83
Nordic (116)	206.74	+0.5	178.15	200.67	179.50	174.86	−0.2	1.72	205.80	178.06	199.95	179.32	175.17	208.93	185.01	157.78
Pacific Basin (659)	148.38	−1.1	128.14	142.09	127.10	141.40	−1.2	0.91	147.95	128.01	143.75	128.92	143.08	192.75	124.83	167.48
Euro−Pacific (1641)	147.52	−0.4	127.12	143.17	128.07	136.44	−0.6	2.00	148.13	128.17	143.91	129.07	137.34	174.18	130.35	147.30
North America (656)	144.39	+0.4	124.42	140.16	125.38	143.07	+0.4	3.36	143.83	124.45	139.75	125.35	142.51	147.87	131.02	131.42
Europe Ex. UK (678)	136.62	+0.7	117.73	132.63	118.64	118.84	+0.2	2.78	135.73	117.44	131.90	118.30	118.57	139.50	124.81	102.98
Pacific Ex. Japan (205)	135.12	+0.1	116.44	131.17	117.33	120.53	−0.2	5.09	134.97	116.78	131.15	117.61	120.77	139.32	122.53	116.79
World Ex. US (1833)	147.65	−0.4	127.23	143.32	128.20	136.26	−0.6	2.06	148.22	128.25	144.02	129.16	137.12	173.77	131.30	147.03
World Ex. UK (2066)	143.67	−0.2	123.80	139.46	124.75	138.72	−0.3	2.25	143.92	124.52	139.83	125.41	139.12	162.00	130.80	140.53
World Ex. So. Af. (2310)	145.37	−0.1	125.27	141.12	126.23	138.93	−0.3	2.49	145.55	125.93	141.42	126.83	139.31	161.84	131.95	140.33
World Ex. Japan (1916)	146.13	+0.4	125.92	141.85	126.89	137.20	+0.3	3.51	145.50	125.89	141.38	126.80	136.85	147.88	134.62	125.59
The World Index (2370)	145.56	−0.1	125.43	141.29	126.39	139.02	−0.3	2.50	145.73	126.09	141.59	126.99	139.39	182.06	132.25	140.34

Constituent change 20/6/90: Name change: Lonvest Corp. to London Insurance Corp. (Canada). The market capitalisation of Vard (Norway) has been increased following changes in foreign ownership restrictions. Latest prices were unavailable for this edition.